(1)

[ ]*

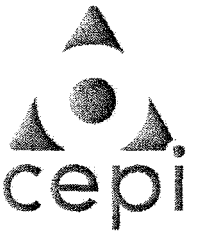
From: [ ] <[ ]>
Sent: 16 April 2015 19:16
To: [ ] (TRADE)
Subject: Fwd: Energy under TTIP
Attachments: image001.jpg; ATT00001.txt; 2015-4-16 Joint letter to C. Malmström on Energy.pdf

> Ter info

Vr gr

[ ]
>
> From: [ ] On Behalf Of [ ]
> Sent: Thursday, 16 April 2015 7:00 PM
> To: cecilia.malmstrom@ec.europa.eu
> Cc: maria.asenius@ec.europa.eu
> Subject: Energy under TTIP
>
> Dear Commissioner Malmström,
>
> Please find attached a joint letter from Cefic, FertilizersEurope, Cepi and FuelsEurope on energy.
>
> Kind regards,
>
>[ ]
> Industrial Policy Programme
> [cid:image002.jpg@01C9E500.3389F650]
> Cefic - European Chemical Industry Council
> Avenue Van Nieuwenhuyse 4
> B-1160 Brussels
> Tel.: +32 (0) 2 [ ]
> Fax: +32 (0) 2 [ ]
>[ ]
> www.cefic.org<http://www.cefic.org/>
>
>

* = all [. . . .] relate to Article 4(1) b.



Cecilia Malmström
Commissioner for Trade
European Commission
200, rue de la Loi
1049 Brussels

16 April 2015

Dear Commissioner Malmström,

Need for strong provisions on energy and feedstock under transatlantic trade and investment partnership (TTIP)

Both EU and US companies – especially energy-intensive industries like ours that make fundamental products such as plastics, chemicals, paper & board, fuels, and fertilisers – depend on open raw material and energy markets where they are able to source at competitive prices. European Industry needs affordable energy and feedstocks, most notably electricity, gas and crude oil. While energy prices in Europe have been on the rise since 2003, shale gas and tight oil in North America have reduced energy and feedstock prices to very low levels, seriously impairing the relative competitiveness of European energy intensive industry.

Concrete examples from our industries illustrate the competitiveness challenges that inclusion of energy and feed stocks provisions in TTIP could help to redress:

- For the chemical industry, a crucial factor is the cost of producing ethylene, a key base chemical, which is nowadays over two times lower in the US than in Europe, notwithstanding the recent drop of oil prices. Not only have the EU chemical exports to the US declined by € 2 billion last year, we are also confronted with increased competition on the Asian markets together with (redirected) imports from the Middle East into Europe.
- Many US petroleum refiners also have sole access to domestic crude oil priced below equivalent crudes available to EU refiners because of the US ban on crude oil exports; energy costs for many US refiners are half those in the EU as a result of US shale gas. These factors give many US refiners significant competitive advantage over EU refiners.
- The European paper industry is an energy-intensive sector and a major exporter, which is operating in a very competitive environment worldwide. Although biomass has become a major source of energy, the share of gas has been growing over the years to represent one third of the primary energy consumption today. The price of energy in general and gas in particular, has a major impact on profitability and constitutes an important driver for future investments. In terms of profit margin, the US paper industry has over performed the European paper industry since 2010 and reached record levels with a peak in 2014.

We are deeply concerned that the growing price gap will soon make most of the investments in Europe – including low-carbon technologies – simply unattractive in economic terms. For example, between 2008 and 2013 investment in Europe by major

investment made. In the US there are presently over 200 chemical projects totalling $140bn of investment. The industries represented by the undersigned federations need a competitive level playing field to stay in Europe and keep jobs and value creation here.

We are aware that the US energy price advantage is a natural advantage and that TTIP is not the only route to address EU industry's competitiveness challenges. However, TTIP can contribute to reducing our competitive disadvantage with the US by allowing exports, of US oil and natural gas. We believe that energy and feed stocks should be treated equally within TTIP to other industrial sector goods with regards to the liberalization of exports. A mutually beneficial TTIP including energy and feed stocks could be a reference for future multilateral agreements. The Energy Charter and the EU-Ukraine trade agreements could serve as an important reference.

TTIP will not be the silver bullet that will solve our challenges regarding energy supply costs and security. The increasing differences in energy costs compared to the US resulting from the shale gas and oil boom need to be urgently addressed by EU policy makers, including those caused by internal EU factors such as insufficient functioning of gas and electricity markets and high taxes, levies or other surcharges. Further diversification of EU supplies and indigenous exploration of shale gas are equally necessary.

We therefore call on the European Commission to insist on the inclusion of strong energy and feedstock provisions in the planned TTIP agreement that could also serve as a model example for other trade agreements.

Jacob Hansen
Director General
FertilizersEurope

Hubert Mandery
Director General
Cefic

Marco Mensink
Director General
CEPI

Chris Beddoes
Director General
FuelsEurope

[ ]* ADE)

From: [ ] <[ ]>
Sent: 03 September 2014 15:19
To: [ ] (TRADE); [ ] (TRADE)
Subject: Cefic - FuelsEurope letter on Access to US Energy and feedstock under TTIP
Attachments: 2014-09-03 L K De Gucht - Access to US Energy and Feedstock under TTIP.docx.pdf

Dear [ ],[ ],

Please find attached copy of the joint Cefic-FuelsEurope letter to Commissioner De Gucht of today on access to US energy and feedstock.

Best regards,

[ ]

* = all [. . . .] relate to Article 4(1) b.

2b

FuelsEurope
REFINING PRODUCTS FOR OUR EVERYDAY LIFE

cefic

Karel DE GUCHT
Commissioner for Trade
European Commission
200, rue de la Loi
1049 Brussels

3 September 2014

Dear Commissioner De Gucht,

Access to US energy and feedstock under transatlantic trade and investment partnership (TTIP)

Ahead of your meeting with U.S. Trade Representative Michael Froman in September, we are calling upon the European Commission to secure non-discriminatory access to US energy and feedstock markets by the inclusion of relevant provisions in the planned TTIP agreement.

The European refining and petrochemical companies need affordable energy and feedstock, most notably gas and oil. While energy prices in Europe are on the rise since a decade, and are expected to increase further, shale gas and shale liquids in North America have brought energy and feedstock prices to extraordinary low levels. To date, the US counts 196 chemical investment related projects for a total of 130 billion US dollar, while US refiners have been enjoying exclusive access to domestic crude oil at discounted price with respect to international benchmarks, resulting in a significant increase of refining throughput and petrochemical capacities.

This situation clearly represents a serious challenge for the competitiveness of our industries. For example, the cost of producing ethylene, a key base chemical, is nowadays three times lower in the US than in Europe. As a consequence, the EU petrochemical industry expects increased competition on the Asian markets and decreased EU exports to the US, coupled with increased (redirected) imports from the Middle East into Europe. For the refining industry the lack of ability to export crude oil from the US has resulted in a very localized supply / demand imbalance, with the price of US domestic crude oil dropping with respect to the price benchmark of internationally traded crude oil, providing US refiners with a strong economic incentive to maximize the utilization of their plants. One of the main negative impacts on EU refiners is that the increased domestic production of US gasoline is displacing the export of the EU surplus gasoline to the American market.

We are aware that the US energy price advantage is a natural advantage and that TTIP is not the only way to improve the European energy and feedstock situation. The EU should however through TTIP seek to reduce this competitive disadvantage for EU industry resulting from restrictions on export of oil and gas that jeopardise European jobs. The free flow of US energy and feedstock would help rebalance EU-US energy cost differentials, through increased competition which could result in lower prices in Europe. Moreover, the EU and US have jointly

successfully attacked Chinese export restrictions on raw materials in the WTO, so it would be inconsistent to maintain such restrictions in TTIP.

We understand that discussions with the US are difficult in this area but urge for adequate provisions in TTIP that address this critical issue for the EU industry.

Yours sincerely,

[ ]*

[ ]

[ ]
FuelsEurope

[ ]
Cefic

*= all [....] relate to Article 4(1) b.

(3)

[ ]*

From: [ ]<[ ]@cefic.be>
Sent: 23 March 2015 10:18
To: [ ](GROW);[ ](GROW);[ ](GROW);[ ](GROW);[ ](TRADE);[ ](TRADE);[ ](TRADE)
Subject: Impact of lower oil price on the European chemical industry
Attachments: Final Cefic paper on impact of oil price.pdf

Categories: Red Category, enery

Oil prices have seen a rapid drop over the past six months with the price per barrel sinking to its lowest point since 2009. From its peak in June 2014 (average 112 US$) to this year's low in January 2015 (average 48 US$) the oil price fell by 55%. The price of naphtha, the main feedstock for the European petrochemical industry, has similarly declined from a high in June 2014 of nearly $953/tonne to $396/tonne in January 2015.

The recent fall in crude oil and naphtha prices appears to be a welcome relief because with gas prices being closely linked to those of oil, this could lead to lower energy and feedstock prices in the EU. This development might suggest that the issue of competitiveness of the European chemical industry is now solved. As usual, reality is much more complex than that, with various factors intertwining, e.g. euro-dollar exchange rate, trade impacts, differentiated impact on various segments of the chemical industry, and risk of deflation. For example, notwithstanding the lower oil price, to date the ethylene cash cost remains over twice as high in Europe than in the USA.

More importantly, however, the long-term structural issues confronting Europe's chemical industry still remain. A recent study by Oxford Economics confirms that the sector's competitiveness is increasingly under pressure from other regions in the world. Continued low economic growth in Europe – and the corresponding lack of investments – , higher energy and feedstock costs as well as a comparatively burdensome – and expensive – regulatory environment have significantly reduced the attractiveness of Europe as a place for investments. At the same time there are currently over 200 chemical projects in the USA totaling some $ 140 bn of investment.

The attached fact sheet produced by Cefic examines the various aspects relating to the impact of lower oil prices on the competitiveness of the European chemical industry, such as impact on GDP growth, competitiveness versus the United States, the impact on the various segments of the industry, currency aspects and trade flows.

Please contact us should you have further questions regarding this matter.

Best regards,

[ ]
[ ]
Cefic
Tel +32 2[ ]
Mobile +32[ ]
Email [ ]cefic.be

*= all [...] relate to Article 4(1)b.

cefic Final 16 February **2015**

Impact of lower oil price on the European Chemical Industry

Executive summary

Oil prices have seen a rapid drop over the past six months with the price per barrel sinking to its lowest point since 2009. From its peak in June 2014 (average 112 US$) to this year's low in January 2015 (average 48 US$) the oil price fell by 57%. The price of naphtha, the main feedstock for the European petrochemical industry, has similarly declined from a high in June 2014 of nearly $953/tonne to $396/tonne in January 2015.

The lower energy and feedstock prices overall have the following effects:

- Low oil prices increase overall demand for chemicals via positive impact on growth in net oil importing countries.
- European gas and naphtha prices – which are partially linked to crude oil prices – follow the oil price and lead to lower energy and feedstock prices in Europe. This is a further positive impact for the European economy.
- However, the positive impact of the oil price drop is less pronounced in euro than in US-dollar, and net oil exporting countries – among them major trade partners of the European industry – are negatively impacted.
- Lower raw material prices for the European chemical industry could temporarily increase margins particularly in energy- and feedstock-intensive base chemicals. However this does not offset the current weak demand due to the overall macroeconomic situation.
- Although the lower oil price reduces the spread between European and US raw material prices (European naphtha vs. US shale gas), the US industry still stays highly competitive vs. Europe.

On its own, the recent fall of oil prices may thus give a short-term relief, but does not address the structural competitiveness gap faced by European manufacturing industries.

Introduction

The chemical industry is a capital intensive industry. Without a stable and supportive business environment (comparable regulatory burden with other regions, competitive access to energy and feedstocks, strong market demand etc.) limited investment will be dedicated to Europe as opposed to other more competitive regions. This would limit further growth and also opportunities to invest in the latest and more effective technologies and thus address key global issues e.g., climate change, air quality and water quality, resource efficiency etc.

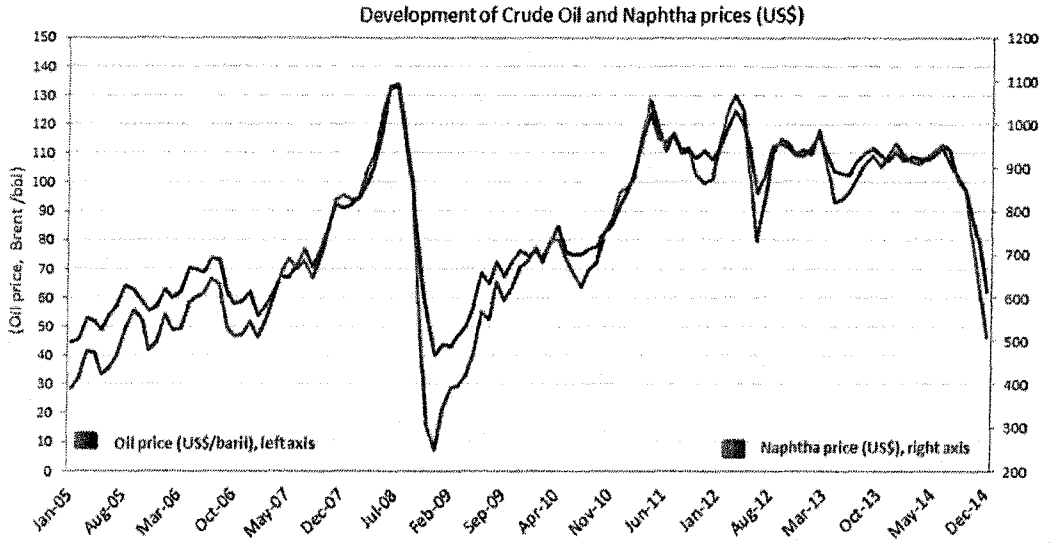
A recent study by Oxford Economics[1] confirms that the sector's competitiveness is increasingly under pressure from other regions in the world. Continued low economic growth in Europe, comparatively high energy and feedstock costs as well as a very complex regulatory environment have significantly reduced the attractiveness of Europe as a place for investments.

[1] http://www.cefic.org/Documents/PolicyCentre/Competitiveness/Oxford-Study-2014.pdf

Basically, the competitiveness of Europe, and its potential for economic growth, depends on safeguarding industries' access to competitive, reliable energy supplies. The recent fall in crude oil and naphtha prices therefore appears to be a push and is leading, with gas prices partially linked to those of oil, to lower energy and feedstock prices in the EU.

However, the recent drop in oil prices may be short lived and it certainly does not address the fundamental competitiveness issues of the European chemical industry. These structural problems are not resolved by temporary reductions of energy prices but only by improving the framework conditions to do business and creating a favourable environment for innovation and investment.

Decline in oil price reflects both weaker demand and stronger supply

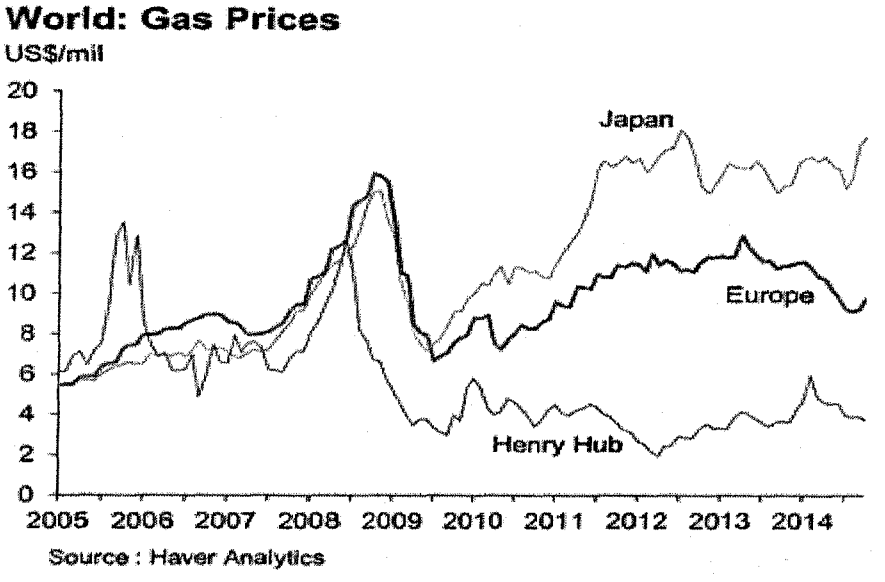


Source: INSEE (Institut national de la statistique et des études économiques, Paris) and Cefic analysis

Oil prices have seen a rapid drop over the past six months with the price per barrel sinking to its lowest point since 2009. The oil market balance has changed fundamentally from an under-supplied to a well-supplied market. Much of the past decade was characterized by significant growth of oil demand, particularly in emerging economies such as China. On the supply side, a number of oil producing countries such as Iraq, Libya and Iran experienced production declines due to conflicts and political sanctions. Therefore, oil production could not, to a great extent, keep up with demand and prices soared.

As a consequence, high prices encouraged further exploration, e.g. in Canada and USA, for unconventional oil. This led to an unexpected strong supply growth in 2014, reinforced by additional supply from Iraq and Libya. At the same time, demand for oil in places like Europe (because of a long lasting economic slowdown and a strong deployment of non-fossil renewable sources), China (due to a shift from heavy to lighter industries and services) and the US (because of a shift from oil to gas in the transport and energy production field) began to slow down.

On 27 November 2014, OPEC, which supplies around 40 per cent of the world's oil, announced it would maintain its output target at 30 million barrels a day, although many of its members, such as Venezuela, Iran and Iraq, need high prices to balance their budgets. Similarly, the world's largest oil producer, Saudi Arabia, also needs a high price ($97.5/bbl. 2014, according to IMF projections[2]) to balance its budget. Nevertheless, Saudi Arabia was not inclined to lower production as this could lead to an erosion of their market share. This situation of current and foreseeable oversupply has accelerated the fall of the oil price, supported by influences from financial markets.[3] European gas prices – which are partially linked to crude – follow the oil price and lead also to lower energy prices in Europe



The halving of crude oil prices in recent months - linked to a more "liquid" naphtha market - originated from lower US demand and a change in the EU refinery mix. This offers European petrochemical producers a potential stimulus, especially as they rely much more on petroleum-based naphtha for feedstock than their American counterparts. As a result of the drop, the ratio of international oil prices to US gas prices – a key indicator of the relative costs of petrochemical production – is now approaching its long run average, suggesting Europe is regaining competitiveness, at least in the short term. However, the gas-to-oil ratio is still too high to relocate investments flows in petrochemicals to Europe.

Low oil prices have a positive impact on demand but this is dampened by weak baseline growth, currency effects, and negative impact on trade with oil exporting countries

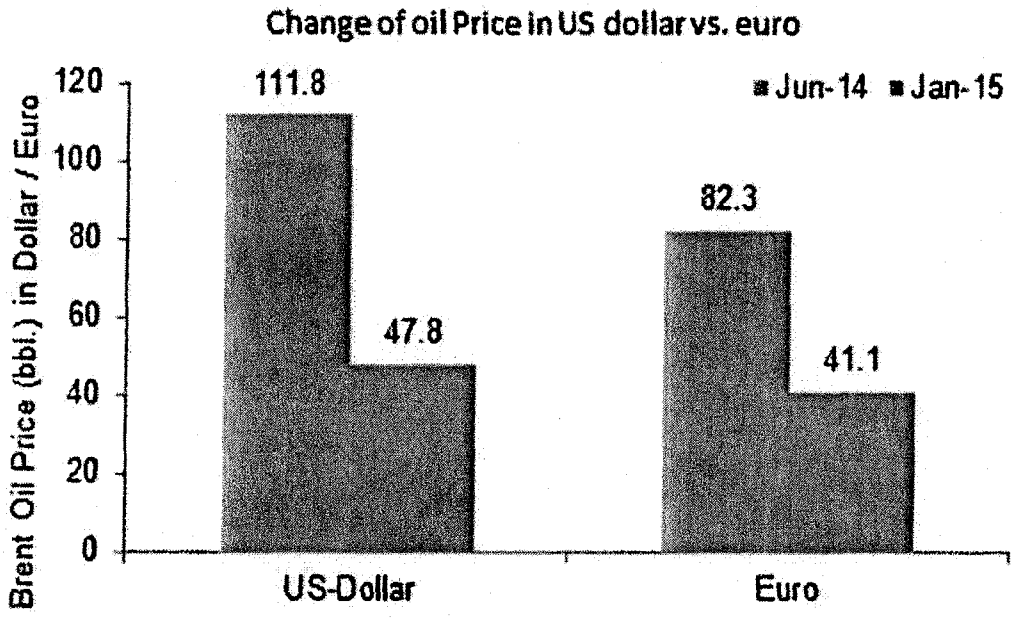
Conventional wisdom suggests that lower oil prices should, in the short-term, increase the purchasing power of consumers and generate additional demand for EU chemical products. According to econometric analysis, the impact of lower oil prices on demand is significant: a permanent fall of oil

[2] IMF (2014) Regional Economic Outlook Middle East and Central Asia Oct. 14 p. 100, download: http://www.imf.org/external/pubs/ft/reo/2014/mcd/eng/mreo0514.htm (Feb. 12, 2015)
[3] https://www.bis.org/statistics/gli/glibox_feb15.htm

prices by 10 % could have a positive effect on GDP of approximately 0.1 % pts. for Western European economies.[4]

However, it is important to highlight that the economic environment in which consumers are operating today is characterised by a very low level of both interest rates and inflation. The benefit from lower oil prices on GDP is therefore more limited compared to situations where interest and inflation rates are relatively high. Monetary policy has no room to reduce interest rates further. With a continued economic slump in Europe, high unemployment (particularly in the Eurozone), wage freezes and low inflation, consumers who are being accustomed to see prices falling could end up spending less.

In theory, the weaker euro is also boosting competitiveness and growth as European export goods are now becoming cheaper for foreign buyers. However, this is partly offset by the associated increase in the cost of imported raw materials. Since oil prices are quoted in US dollars, the recent fall of the euro implies that the decrease of the oil price is less marked in euro terms (see graph). We would therefore expect that the impact of the weak euro on oil import prices has an offsetting effect particularly on oil-intensive industries – like the chemical industry.



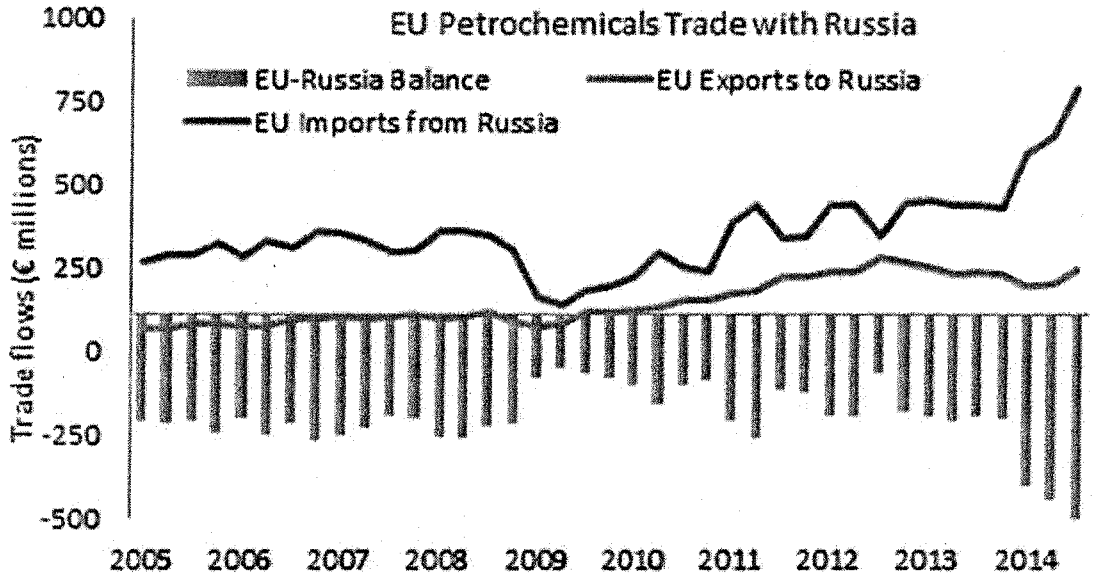
Source: EIA, Eurostat and Cefic calculations

This assessment is supported by quantitative research: in a report carried out by Oxford Economics on behalf of Cefic one conclusion drawn was that the exchange rate is an important driver of sector competitiveness, but that current prospects for a weakening of the euro are not large enough to have a significant quantitative impact. The study shows that a 10% currency depreciation would increase the European chemical market share by less than ½ percentage point. Thus, chemical manufacturers should not rely on a weaker currency to boost sector competitiveness.

[4] German Council of Economic Advisers (Sachverständigenrat zur Begutachtung der Gesamtwirtschaftlichen Entwicklung), Annual Report 2011/2, p. 30. This study analyses the negative impact of increasing oil prices. The statement above assumes symmetric effects of decreasing prices.

The overall positive impact of lower oil prices on the global economy is further dampened by negative impacts on net oil exporting countries. Russia, as a major exporter of crude oil, petroleum products and natural gas, is a prominent example. The downward oil price trend is generating less income for the Russian budget and, together with the impact of the economic sanctions, is placing a significant squeeze on their economy: this is tied with a decline in the exchange rate between the ruble and the euro. A likely direct knock-on effect will be that Russian demand for EU chemicals products is reduced since industry and consumers have to pay more for EU chemical products in their market. On the other hand, chemical exports from Russia into the EU become more competitive. Indirect effects play a role as well as Russia is importing less from chemical customer industries. The automotive industry is a telling example here.

The direct impact is substantial and can be easily illustrated: as shown in the chart below, EU petrochemicals imports from Russia increased by 61% during the first ten months of 2014 compared to the same period of 2013. EU exports registered a decrease of 9% during the same period. The EU trade deficit with Russia more than doubled, from €0.7 billion in 2013 to €1.6 billion in 2014 (Jan-Oct, year-on-year).



Source: Comext (Eurostat) and Cefic analysis

Energy and feedstock intensive segments of the chemical industry benefit from lower oil prices

The chemical industry is one of the most energy intensive of all manufacturing sectors: in the EU, it accounts for 20% of industrial energy consumption, well above its 7% share of manufacturing output. For certain subsectors at the beginning of the industry supply chain, like petrochemicals, basic inorganics, and polymers, energy and feedstock costs are significantly larger than in specialty chemicals and consumer chemicals.

Output from the EU chemical industry covers three broad product areas: base chemicals, specialty chemicals and consumer chemicals. The largest base chemicals segment – petrochemicals – accounts for just over one-quarter of the total, and the closely-related polymers segment accounts for about a fifth. Specialty chemicals (which consist primarily of paints, inks and dyes and other related industrial chemicals) also account for about one-quarter of production. The smallest segments are basic inorganics (fertilizers, industrial gases, etc.) at 14% and consumer chemicals at 12%.

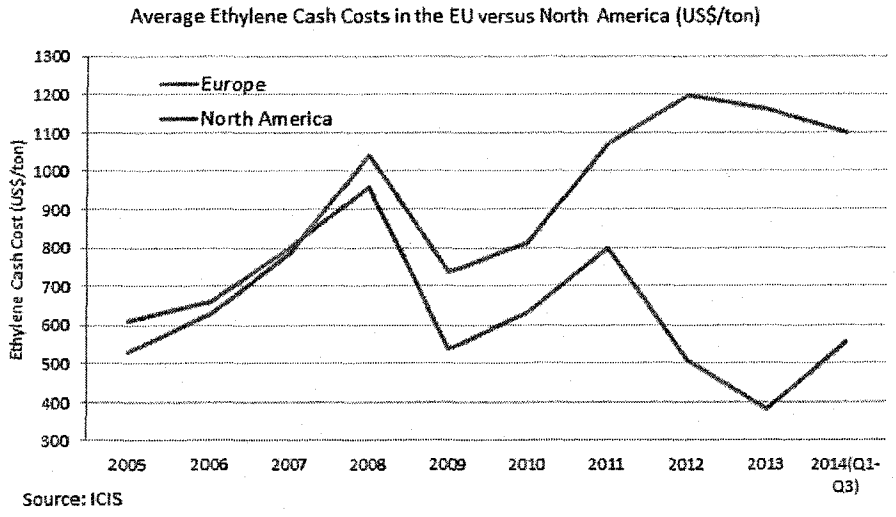
Feedstock and energy consumption account for as much as 85% of total operating costs in the petrochemicals sector, both as a feedstock and as a source of energy for crackers. Downstream sectors use less energy in the production process, but feel the impact of lower energy prices via the petrochemicals on which they depend for intermediate inputs.

The lower oil price is especially bringing relief to petrochemicals, polymers and inorganic segments of the industry; the decrease is less relevant for consumer and specialty chemicals segments.

Base chemicals: EU ethylene cash cost still significantly higher than in the US

Energy costs are the European industry's Achilles' heel, especially compared to the oil and gas-rich Middle East, and more recently to the United States, which is riding on a shale gas boom. Advantaged energy and feedstock prices are a clear enabler of competitiveness. The shale gas boom in the United States has greatly reduced energy and feedstock costs. A clear indicator of this situation is the cost of producing ethylene. Ethylene is the highest volume building block in the chemical industry globally.

It is the foundation in the production of plastics, detergents and coatings amongst many other materials. Making ethylene in Europe was three times more expensive than in the US in 2013 (due to the shale gas boom) or the Middle East. This is boosting profits abroad and attracting billions of dollars in investment, including from European chemical companies. The latest developments in oil prices have significantly reduced the EU costs vis-à-vis the USA. However, the EU-US gap in terms of cost is still a serious handicap for the base chemicals industry in Europe.



Source: ICIS

Long term outlook for the European chemical industry not positively impacted by oil price volatility

Traditionally, Europe has been a leader in chemicals production – as shown by a consistent export surplus which reached a record of 49 billion euro in 2013. The current state of play appears at first sight to be very positive for the European chemical industry.

However, due to stronger relative growth in other parts of the world and decreasing competitiveness, the EU's share of global sales decreased significantly over the period (from 32% in 1993 to 17% in 2013).The trend in growth differences is expected to continue: overall chemicals demand and production will grow faster in emerging regions while growth in post-recession Europe remains low, mainly due to mature markets and an ageing population.

But growth differences in export markets are not the major cause for Europe's decreasing market share. Using constant market share analysis of chemical exports, an Oxford Economics report[5], carried out on behalf of Cefic, indicates that the majority of the decrease in EU export market share observed over the past twenty years is due to declining competitiveness – as opposed to slow-growing destination markets. The erosion of export competitiveness is mostly attributable to petrochemicals and to a less dramatic degree to polymers.

In some sense, this is not surprising: petrochemicals accounted for one-third of total extra-EU chemical exports, a figure which rises to 50% if we include polymers. The drop in petrochemicals' global export share has been much more severe than the chemical sector as a whole: down to just over 20% from a peak of more than 40% in the early 2000s. The petrochemicals sector is also at the forefront of the chain and exposed much more to energy costs than the other chemicals sub-sectors.

The level of investments is another key indicator pointing to a loss of market attractiveness for production. In the EU we see declining levels of capital spending intensity (% of sales) compared with other regions. Capital intensity is both an indicator of loss of attractiveness as well as a driver of future competitiveness. EU capital spending intensity fell from 4.3% to 3.5% between 2003 and 2013.

A Cefic survey among major chemical companies revealed a shift of investment from the EU to countries outside the EU between 2008 and 2013. Data analysis showed that the share of domestic investment to total investment has moved down significantly by 10% points between 2008 and 2013, indicating that the EU business and economic environment is becoming less attractive for EU chemicals companies.

While chemical investment in Europe is lagging behind, there are more than 200 chemical investment projects that have been announced in the USA and totalling a cumulative investment of nearly $140 billion. Fully 60% of this is foreign direct investment. These investments began as far back as 2010 and are expected to continue through the next decade. These investments are on top of the $30 billion per year that the industry typically spends on capital investment.[6]

Temporarily lower oil prices will not change this longer term outlook and do not provide a firm perspective for investors. The main reason for the current oil price drop is strong supply growth, driven primarily by strong US production of unconventional shale oil and exacerbated by OPEC's refusal to cut production in support of prices - against the backdrop of a weak demand development. This situation is

[5] http://www.cefic.org/Documents/PolicyCentre/Competitiveness/Oxford-Study-2014.pdf

[6] Notes on shale gas, manufacturing and chemical industry", ACC, 27 January 2015

not stable and might change soon. While weak demand growth will probably persist, future oil supply growth will be dampened as oil producers are currently cutting investments. Additionally, OPEC might revise its course. While Saudi Arabia (the main force behind continuing high OPEC production) can cope with the adverse impact of low oil prices on export revenues, other members are finding it difficult to cope.

Thus, while existing European petrochemical producers may gain some market share in the near term, perceptions of the competitive situation have not changed and there is virtually no additional incentive for investment in new medium-term production capacity.

(4)

[ ]* (TRADE)

From: [ ] <[ ]@cefic.be>
Sent: 13 June 2014 13:41
To: [ ] (TRADE)
Subject: Approval procedure for the construction of US LNG terminals

Dear Mr [ ]

We learned of the following change in US approval procedures for LNG terminals that may be of interest to you.

We would also be keen to hear where things stand with respect to the issue access to energy/feedstock and whether there are any information needs. Could we have a meeting like we had earlier with [ ] and [ ]?

Best regards,

[ ]
[ ]

Prüfungsverfahren für Bau von LNG-Terminals soll geändert werden

Das US-Energieministerium (DOE) hat eine Änderung des Prüfungsverfahrens angekündigt, das die Errichtung neuer Verladeterminals für Flüssiggas (*liquefied natural gas* – LNG) betrifft. Das Genehmigungsverfahren ist in den USA zweigeteilt. Während das Energieministerium die Auswirkungen der Verladeterminals auf die US-Wirtschaft im Blick behält, überprüft die *Federal Energy Regulatory Commission* (FERC) insbesondere Umweltbelange. Das Verfahren des Ministeriums dauert maximal zwei Monate, die Umweltverträglichkeitsprüfung (UVP) der FERC kann sich allerdings über Jahre hinziehen. Bislang müssen Antragsteller zunächst die Genehmigung des Ministeriums einholen, bevor die FERC mit ihrer Prüfung beginnt. Dies hat immer wieder zur Konsequenz, dass das DOE Anlagen genehmigt, die in Art und Ausmaß nach der UVP eigentlich gar nicht oder nur anders gebaut werden dürften. Deshalb hat das DOE nun angekündigt, Verfahren vorzuziehen, die die Umweltverträglichkeitsprüfung bereits abgeschlossen haben.
Die Meinungen im Kongress über die Änderung des Verfahrens sind zweigeteilt. Einige Abgeordnete und Senatoren sind eher pragmatisch eingestellt und sehen es positiv, dass sich das DOE nur noch mit Anlagen beschäftigt, die tatsächlich zum Bau startbereit sind. Andere kritisieren dagegen das Vorgehen: Es diene nur dazu, DOE einen weiteren Grund zu liefern, Verfahren unnötig hinauszuzögern, in dem das Ministerium Baugenehmigungen nun von der erfolgreichen UVP abhängig mache. (mc)

* = all [. . .] relate to Article 4(1) b.

(5)

[ ]*

From: [ ]<[ ]@cefic.be>
Sent: 01 October 2014 15:27
To: [ ] (TRADE)
Subject: Why US should lift oil export ban

Beste [ ],

Dit artikel maakt de case voor opheffing US exportverbod op olie:

https://www.uschamber.com/blog/why-lifting-oil-export-ban-supports-america-s-energy-boom

Vr gr,

[ ]

* = all [..] relate to article 4(1) b.

(6)

[ ] *

From: [ ]
Sent: 17 April 2015 13:30
To: [ ]TRADE);[ ] t (TRADE);[ ]s (GROW);[ ] (TRADE)
Subject: FW: Energy under TTIP
Attachments: 2015-4-16 Joint letter to C. Malmström on Energy.pdf

Dear all,
See attached for your info a joint letter we send to Ms Malmström regarding the need for strong provisions on energy and feedstock under TTIP.

Kind regards,

[ ]
[ ]
Cefic

Tel: +32 [ ]
Mob: + [ ]
Fax: +3 [ ]
[ ]@cefic.be

From: [ ] **On Behalf Of** [ ]
Sent: Thursday, 16 April 2015 7:00 PM
To: cecilia.malmstrom@ec.europa.eu
Cc: maria.asenius@ec.europa.eu
Subject: Energy under TTIP

Dear Commissioner Malmström,

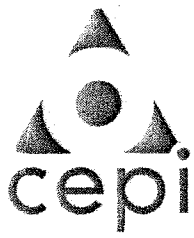
Please find attached a joint letter from Cefic, FertilizersEurope, Cepi and FuelsEurope on energy.

Kind regards,

[ ]
[ ]
cefic
Cefic - European Chemical Industry Council
Avenue Van Nieuwenhuyse 4
B-1160 Brussels
Tel.: +[ ]
Fax: +32[ ]
[ ]cefic.be
www.cefic.org

* = all [...] relate to Article 4(1)b.

(65)



Cecilia Malmström
Commissioner for Trade
European Commission
200, rue de la Loi
1049 Brussels

16 April 2015

Dear Commissioner Malmström,

Need for strong provisions on energy and feedstock under transatlantic trade and investment partnership (TTIP)

Both EU and US companies – especially energy-intensive industries like ours that make fundamental products such as plastics, chemicals, paper & board, fuels, and fertilisers – depend on open raw material and energy markets where they are able to source at competitive prices. European Industry needs affordable energy and feedstocks, most notably electricity, gas and crude oil. While energy prices in Europe have been on the rise since 2003, shale gas and tight oil in North America have reduced energy and feedstock prices to very low levels, seriously impairing the relative competitiveness of European energy intensive industry.

Concrete examples from our industries illustrate the competitiveness challenges that inclusion of energy and feed stocks provisions in TTIP could help to redress:

- For the chemical industry, a crucial factor is the cost of producing ethylene, a key base chemical, which is nowadays over two times lower in the US than in Europe, notwithstanding the recent drop of oil prices. Not only have the EU chemical exports to the US declined by € 2 billion last year, we are also confronted with increased competition on the Asian markets together with (redirected) imports from the Middle East into Europe.
- Many US petroleum refiners also have sole access to domestic crude oil priced below equivalent crudes available to EU refiners because of the US ban on crude oil exports; energy costs for many US refiners are half those in the EU as a result of US shale gas. These factors give many US refiners significant competitive advantage over EU refiners.
- The European paper industry is an energy-intensive sector and a major exporter, which is operating in a very competitive environment worldwide. Although biomass has become a major source of energy, the share of gas has been growing over the years to represent one third of the primary energy consumption today. The price of energy in general and gas in particular, has a major impact on profitability and constitutes an important driver for future investments. In terms of profit margin, the US paper industry has over performed the European paper industry since 2010 and reached record levels with a peak in 2014.

We are deeply concerned that the growing price gap will soon make most of the investments in Europe – including low-carbon technologies – simply unattractive in economic terms. For example, between 2008 and 2013 investment in Europe by major

investment made. In the US there are presently over 200 chemical projects totalling $140bn of investment. The industries represented by the undersigned federations need a competitive level playing field to stay in Europe and keep jobs and value creation here.

We are aware that the US energy price advantage is a natural advantage and that TTIP is not the only route to address EU industry's competitiveness challenges. However, TTIP can contribute to reducing our competitive disadvantage with the US by allowing exports, of US oil and natural gas. We believe that energy and feed stocks should be treated equally within TTIP to other industrial sector goods with regards to the liberalization of exports. A mutually beneficial TTIP including energy and feed stocks could be a reference for future multilateral agreements. The Energy Charter and the EU-Ukraine trade agreements could serve as an important reference.

TTIP will not be the silver bullet that will solve our challenges regarding energy supply costs and security. The increasing differences in energy costs compared to the US resulting from the shale gas and oil boom need to be urgently addressed by EU policy makers, including those caused by internal EU factors such as insufficient functioning of gas and electricity markets and high taxes, levies or other surcharges. Further diversification of EU supplies and indigenous exploration of shale gas are equally necessary.

We therefore call on the European Commission to insist on the inclusion of strong energy and feedstock provisions in the planned TTIP agreement that could also serve as a model example for other trade agreements.

Jacob Hansen
Director General
FertilizersEurope

Hubert Mandery
Director General
Cefic

Marco Mensink
Director General
CEPI

Chris Beddoes
Director General
FuelsEurope

(7)

[ ] (TRADE)

From: [ ]<[ ]@cefic.be>
Sent: 21 August 2014 09:30
To: [ ] (TRADE)
Cc: [ ]; [ ]; [ ]; [ ]
Subject: FW: TTIP - EU - USA FREE TRADE AREA: ENERGY - RAW MATERIALS - CHEMICALS
Attachments: 14.02 - AB - Trade Sustainability Impact Assessment -Trade SIA- on TTIP.PDF; 20140820132332522.pdf

Dear [ ],

As per your request I herewith confirm that our petrochemical industry, just like the refining industry (see below email from FuelsEurope) asks for the removal of US export restrictions on both gas and oil.

For our industry the reason is the following. The feedstock of the steam cracker industry is on average 70% naphtha, 20% gas and 10% heavy naphtha, so the answer is we need both. The mixture of feedstock used is dictated by the desired product mix a company is trying to achieve at a given time, thus we need the ability to use both. This is why the US chemical industry is equally interested in shale liquids as they give them the option to make more propylene.

The attached chart shows the relative olefin yields by feedstock. If the US industry wants to produce other chemical building blocks than ethylene, they need naphtha. Cheaper oil will give them a competitive advantage.

Best regards,

[ ]
Tel
Mobile [ ]
E-mail [ ]@cefic.be

From: [ ] [mailto:[ ]@fuelseurope.eu]
Sent: Thursday, 21 August 2014 8:53 AM
To: [ ]
Cc: [ ], [ ], [ ], [ ], [ ], [ ]
Subject: FW: TTIP - EU - USA FREE TRADE AREA: ENERGY - RAW MATERIALS - CHEMICALS

Dear [ ],
The issue of lifting the export ban from US crude is very important for the EU refining industry.
The abundant availability of US domestic "tight" oil, coupled with the prohibition to put it in the global crude oil market, has determined a huge advantage for US domestic refiners vs. the rest of the world competitors: as a result of the demand / supply forces, the price of domestic crude oil has dropped with respect to the price benchmark of internationally traded crude oil.
In other words, US refiners (and they only) have access to artificially cheap crude oil while the products they sell are priced on the international market: the resulting "extra" refining margin is huge.
This is in addition to the availability of comparatively cheaper energy, due as we all know to the shale gas revolution.
As a consequence of these competitive advantages, the US refineries have recently increased their throughput at record levels. Also the domestic production of gasoline has significantly increased, making it harder and harder for EU refiners to place their excess gasoline to the US.

I conclusion: one request our association has repeatedly made to the TTIP negotiators (see the letter in attachment as an example) is to have this artificial barrier removed, to re-create a level plain field between EU and US refiners.

I will also contact [ ] myself to remind him this issue.

Please do not hesitate to contact me if you need any clarification and /or further information.

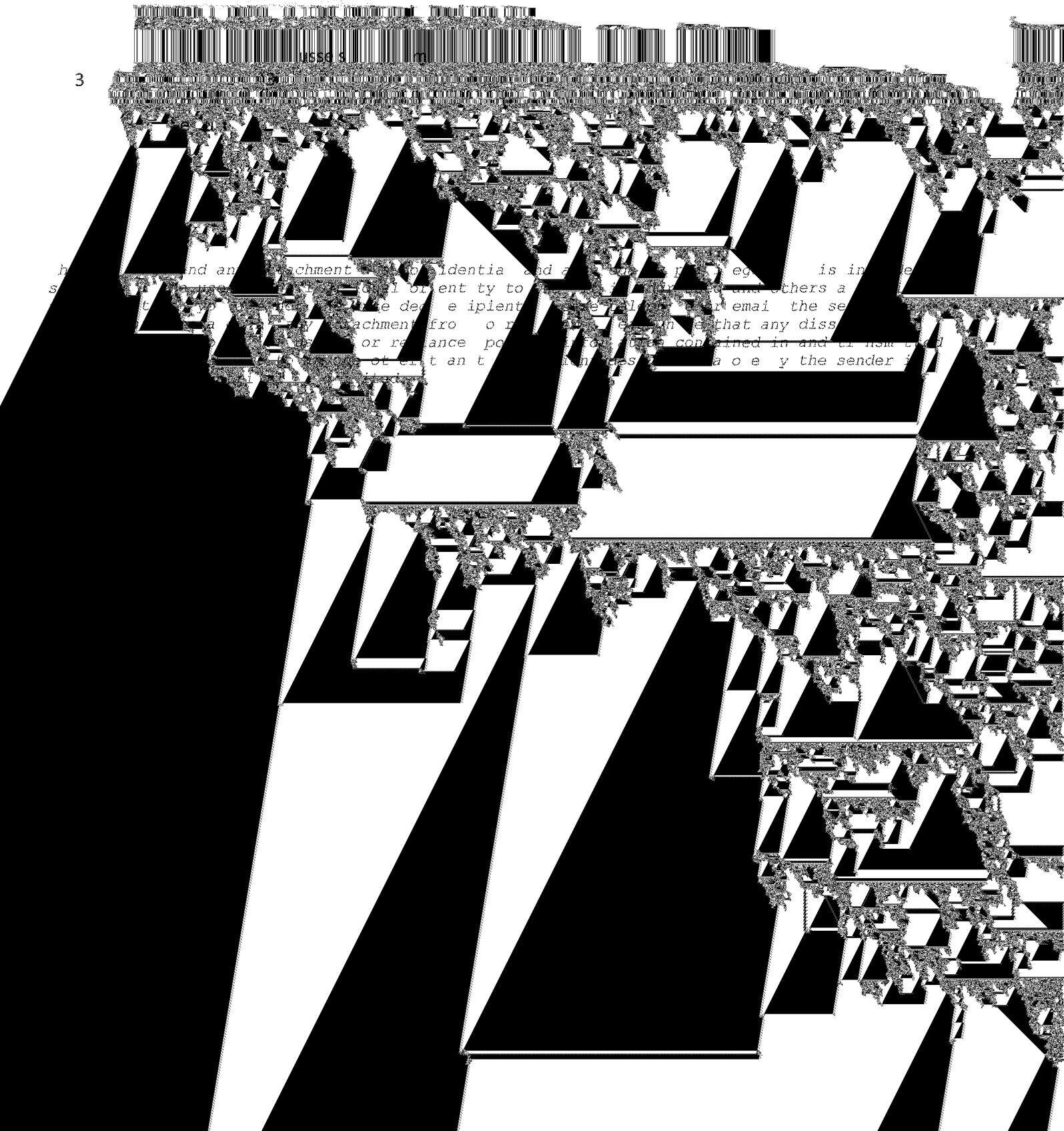
Regards

[ ]

[ ]

[ ]

FuelsEurope



europia representing the european petroleum industry

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ECORYS TTIP TSIA Study Team

Trade Sustainability Impact Assessment in support of negotiations for a TTIP – Commissioned by the European Commission (DG Trade)

Brussels, 24th February 2014

Subject: Trade Sustainability Impact Assessment (Trade SIA) on TTIP

Dear Ecorys TTIP TSIA study team,

EUROPIA represents the downstream sector of Europe's petroleum industry. EUROPIA is an organization whose 43 members account for almost 100% of EU petroleum refining capacity.

With reference to your email 14th February 2014, EUROPIA welcomes the Trade Sustainability Impact Assessment of the TTIP. We recommend the Oil sector to be included in the TSIA, particularly the downstream sector (refining and marketing) which has been under heavy pressure and which competitiveness is at risk.

The following overview points at of some of the reasons why we believe that the impacts of the TTIP can affect the European Oil sector (and specifically the refining industry).

Trade of petroleum products between US and EU

The two economies are closely interconnected by a very significant trade of oil products: in 2012 the US refining industry exported 335 thousand barrels per day (KBD) of diesel to the EU, and the EU refining industry exported 349 KBD of gasoline to the US. Together this represents $32 billion in trade per year.
We see a risk of distortion to the trading of oil products among the 2 regions, if measures like the one DG Clima proposed in October 2011 (to establish default carbon intensity (CI) values for diesel and gasoline for all crude oils except natural bitumen (oil sands) and oil shale) would be implemented. Higher CI values would be assigned for diesel and gasoline derived from oil sands or oil shale crudes. If adopted, this differentiation would penalise US exports of diesel and other petroleum products to the EU and it would require US refiners to identify any petroleum product produced using oil sands and oil shale in the crude slate. This would require the installation of a complex identity preservation scheme across the chain of custody. It is expected that the above would likely have an impact on the US – EU fuels trade.

Such proposal is also believed to raise significant concerns under at least two WTO agreements: the General Agreement on Tariffs and Trade (GATT) and the Agreement on Technical Barriers to Trade (TBT). These agreements seek to prevent discrimination against imports from a particular country vis-à-vis like imports from another country or those from domestic producers (GATT) and to remove unnecessary obstacles to trade such as the imposition of needless complex compliance requirements or ill-tailored regulatory measures.

europia representing the european petroleum industry

Crude oils from US

The US Energy Policy and Conservation Act restrict the export of US crude oil. Such prohibitionist approach allows certain exceptions when the US Commerce Department deems shipments to be "consistent with the national interest."
Given the recent North American boom in domestic gas and oil resources, the lack of a free flow of crude oil from the US to Europe has the potential to distort the crude oil market.
In our understanding, the TTIP should ensure that no restrictions apply to the two-way flow of raw materials, including crude oil.

For these reasons we believe that the Trade Sustainability Impact Assessment should cover the Oil sector and should include an adequate consideration of the above mentioned aspects.

We remain at your disposal for any clarification and/or further information.

Best Regards

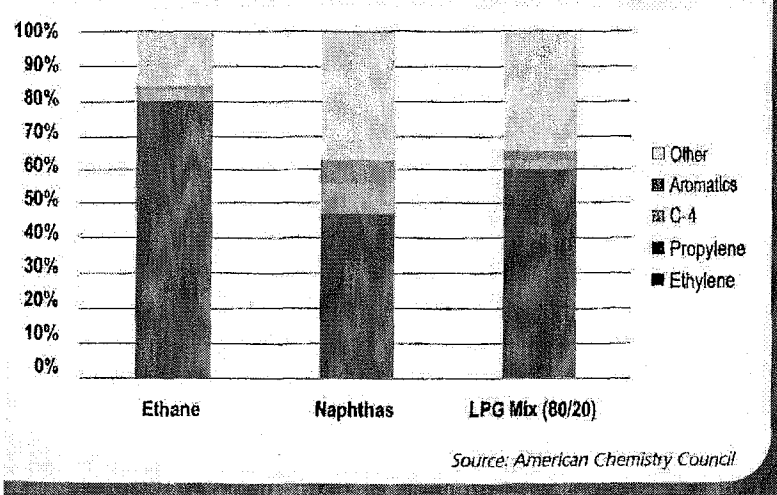
[ ]

[ ]

* = all [....] relate to Article 4(1) b.

>> RIDING THE WAVE

Figure 1: Relative Olefin Yields by Feedstock



Source: American Chemistry Council

(9)

[ ]*(TRADE)

From: [ ][ ]@cefic.be>
Sent: 04 February 2015 18:41
To: [ ](TRADE); [ ](TRADE)
Cc: [ ](TRADE)
Subject: FW: Chemical industry and TTIP
Attachments: 2014-12-19 Lt to Malmström re Position of European Chemical Industry on TTIP.pdf; 2015-02 EU Sensitive products under TTIP.XLSX

Dear [ ]

Further to the presentation of the Polish federation in the TTIP Stakeholders meeting today which I unfortunately missed I would like to restate the Cefic position on chemicals tariffs in TTIP.

Position on phasing of chemicals tariff liberalization on the EU side: Cefic supports the liberalization of chemical trade between the EU and U.S. without any product exceptions. We agree that the near totality of chemical tariff lines should be liberalized upon entry into force of TTIP. For a limited number of tariff lines we request a transition period to absorb the additional competitive pressures resulting from the U.S. shale gas advantage.

The products identified by members as most sensitive are listed in the annex to this email as well as our recent letter to Commissioner Malmström. The sensitivity stems from the EU energy/feedstock cost disadvantage.

Kind regards,

[ ]
Tel [ ]
GSM [ ]

* = all [.....] relate to Article 4(1) b.

(9b)

[...]*

Mrs Cecilia Malmström
Commissioner for Trade
European Commission
200, rue de la Loi
B – 1049 BRUSSELS

19 December 2014

Dear Mrs Malmström,

Position of European Chemical Industry regarding TTIP

I am writing to you to express the strong support of the European Chemical Industry for TTIP and in particular to clarify our position with regard to the elimination of chemical import duties. Some misunderstanding may have arisen regarding our position on that issue following a letter that four of our Central European member associations have recently written to President Juncker (see attached letter).

The chemical industry has called for EU – US free trade negotiations for the past twenty years and considers TTIP as an historic opportunity for the transatlantic community. Major chemical companies are active on both sides of the ocean and about one third of the €46 billion transatlantic chemicals trade concerns intra-company trade. About 20 per cent of EU chemicals exports are destined for the US, generating a trade surplus of about six billion euro (2013). Chemical import duties on both sides are low. TTIP should ultimately eliminate all chemical import duties without exceptions. The gains will be considerable. Generally, in transatlantic chemicals trade tariffs do not have a protective function any longer but rather constitute an input cost. In total, both sides pay an estimated €1.5 billion import duties on their bilateral chemicals trade. Removal of the tariff barriers will thus reduce the cost of trading. Our industry will face increasing competition from the US as a consequence of the shale gas revolution. Over 200 chemical projects are currently planned in the totaling €100 billion investment. However, maintaining tariffs is not the answer to this competitive challenge. With the exception of a limited number of tariffs for which longer phasing is appropriate given the huge energy cost differential, all chemical import duties should be eliminated on entry into force of TTIP.

The real challenge for the energy intensive segments of our industry is rather the cost of energy in Europe, and the plea from the Central European chemical federations should be seen in light of the difficult situation their member companies are facing. The continued difference in energy and feedstock costs between the EU and the US needs to be urgently addressed by EU policy makers domestically, and access to the US energy and feedstock markets can bring additional relief. We therefore would like TTIP to ensure non-discriminatory access to US energy and feedstock for European companies.

Regulatory cooperation, the focus of TTIP, provides an opportunity for our industry. Cefic and the American Chemistry Council have put forward joint proposals for enhanced regulatory cooperation. We do not propose to change legislation. High levels of protection for health and the environment must be upheld. Our proposals aim at avoiding duplicative regulatory requirements, promoting efficiencies and reducing costs both for industry and governments in areas such as chemical assessment and classification and labelling.

We look forward to good cooperation with you and your services in pursuit of an ambitious TTIP agreement.

Yours sincerely,

[...]

[...]

*all [....] relate to Article 4(1)b

10

[ ]* (TRADE)

From: [ ] IOGP <[ ]@iogp.org>
Sent: 26 Januarv 2015 14:25
To: [ ] (TRADE)
Cc: [ ] SHELL
Subject: TTIP

Categories: Blue Category

Hi [ ],
We were speaking to [ ]er last week and we think we discovered an issue which may interest you in the context of your energy chapter work. It is about standards, particularly oil and gas engineering / safety standards, where in the EU there is a real problem with harmonising with US standards right now. TTIP might be a good way of 'raising the profile' of this issue, which is key for safety in Europe.
[ ] cc'd, is the best person to speak to as he's involved with both IOGP and ISO. I would suggest a half hour call with him, when you both have a moment. [ ] is Shell's [ ], based in the Engineering Department. He can explain the situation.
Kind regards
[ ]

[ ]
IOGP, [ ]
Mobile: +32 (0)[ ]
Transparency Register: ID number 3954187491-70

Follow OGP on Twitter @IOGP_News

*: all [.....] relate to article 4(1) b.

[ ]* (TRADE)

From: [ ] IOGP < ;@iogp.org>
Sent: 29 January 2015 20:54
To: [ ] (TRADE); [ ] (ENER)
Subject: TTIP Position Paper
Attachments: API-IOGP Industry Position on TTIP Energy Issues.pdf

Categories: Blue Category

Hi [ ],

Please find attached the IOGP-API position paper on TTIP. This is a follow-up to our paper of last summer. This afternoon, API presented it to the US side in Washington.
I hope it's useful and reflects some of the discussions we've been having in Europe. This represents a balance of views between a large number of companies on both sides of the Atlantic.

Please feel free to share with colleagues in the Commission.
Please also contact me with any questions.
Kind regards
[ ]

[ ]
[ ]
email:
phone: +32 2 [ ]

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* = all [. . . .] relate to Article 4(1)b.

International Association of Oil & Gas Producers

energy API

AMERICAN PETROLEUM INSTITUTE

Oil & Natural Gas Industry Positions on Potential Energy Issues in TTIP
January 2015

Introduction

The American Petroleum Institute (API) and the International Oil and Gas Producers Association (IOGP) have agreed on a set of policy principles outlined in this document in order to provide the EU and US negotiators of the Transatlantic Trade and Investment Partnership (TTIP) with our views on a set of issues that have emerged for potential inclusion in TTIP.[1] This paper is a follow-up to our July 2014 policy position paper, in which we shared our positions on a set of overarching principles for TTIP, as agreed by the oil and gas industry on both sides of the Atlantic.

API and IOGP together account for more than half of the world's oil output and about one third of global gas production, work on behalf of their international oil and gas member companies to enhance the opportunities for oil and natural gas production and improve the competitiveness of the industry in the worldwide economy. The 700+ member companies of API and IOGP support free trade and a Transatlantic Trade and Investment Partnership (TTIP) that removes barriers, promotes market-oriented policies and creates genuine opportunities for commercial growth and job creation.

Based on preliminary documents and discussions, we have attempted to address the energy issues that have been raised for potential inclusion in TTIP. Although we observe that many of these issues would be applicable across industry sectors, the two associations do not take a formal position on the architecture of TTIP at this time. As indicated issue-by-issue below, the oil and natural gas industry on both sides of the Atlantic supports a TTIP that codifies competition, market forces and the free flow of oil and gas products and services between the US and EU, and supports principles that achieve these objectives.[2][3]

TTIP Principles

API and IOGP support the abolition of trade and investment restrictions on oil and natural gas goods and services and the liberalization of all trade in oil and natural gas. We support principles that achieve the objective of increasing trade in oil and natural gas, as well as principles that help to underpin investments in finding, developing, producing and transporting hydrocarbon resources. These principles include a commitment to stable, competitive and predictable investment frameworks; free market competition and protection from monopolies and other forms of market abuse; anti-corruption; contract sanctity; and protection from arbitrary asset confiscation by host governments. API and IOGP

[1] These issues emerged in two leaked EU "Non-papers," the first dated 20 September 2013 and leaked in May 2014 (http://big.assets.huffingtonpost.com/TTIPNonPaper.pdf), and the second dated 27 May 2014 and leaked in July 2014 (http://www.scribd.com/doc/233022558/EU-Energy-Non-paper).

[2] API and IOGP recognize that proposals may be developed by the negotiating teams throughout the TTIP process and will endeavour to provide a combined response to the negotiating teams as appropriate. The Associations will engage on the specific topic of the TTIP treaty's architecture, once the EU and US government negotiating teams determine a clearer idea of how the energy aspects of TTIP are to be structured.

[3] The two associations recognise that TTIP shall not affect an EU member state's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, as per Article 194 of the EU Treaty.

understand that the TTIP agreement may in due course be used to help foster principles of good practice in the context of other international negotiations by the US and EU. API and IOGP have not taken a position on whether the energy provisions of TTIP should be structured in such a way as to better enable this. We have instead chosen to focus on the substance of the provisions.

Export Restrictions

Consistent with our support of the abolition of trade restrictions, API and IOGP oppose export restrictions and support the liberalization of energy exports, which includes the granting of oil and natural gas export licenses and the lifting of import restrictions. We believe energy should be subject to the same treatment in TTIP as other industry sectors with regards to the liberalization of exports. In addition, we believe oil and natural gas should be treated the same as other goods and services under TTIP provisions that govern dual-use trade.

Wholesale Energy Domestic Price Regulation

Generally, API and IOGP believe that market forces should set prices for goods and services and support provisions in TTIP that would abolish any domestic price regulation for energy goods. We support a TTIP that prohibits domestic wholesale regulated prices and liberalizes these prices where they exist. We agree that TTIP should bind parties to requirements that any domestic pricing policy for public service obligations should be limited in scope and duration, well-defined and non-discriminatory.

Dual Pricing

API and IOGP support a TTIP that abolishes dual pricing of oil and natural gas products. We believe that a TTIP prohibition of dual pricing should apply to all goods and services across sectors, as dual pricing historically has been applied also to non-energy products such as agricultural and building materials products.

Oil and Gas Trading and Export Monopolies

As with our support for the prohibition of dual pricing, API and IOGP support a TTIP that also prohibits monopolies of any kind, including for trading and export. We believe in market competition and lifting barriers to market entry. API and IOGP believe that TTIP should apply trade principles that prohibit monopolies as well as anti-competitive and monopolistic practices.

General Access Conditions and Non discrimination across oil and gas value chain

API and IOGP support access to oil and natural gas reserves and markets that does not discriminate between national versus non-national firms. We support non-discriminatory access across the value chain and across market segments of the oil and natural gas industry, from licensing, exploration, production, transportation and distribution, sales and purchasing, exporting and importing. The principle of "national treatment" in trade agreements typically is treated horizontally. API and IOGP will await any firm proposals by the negotiating teams regarding non-discrimination specifically for oil and natural gas before deciding whether to comment further. The priority must be on addressing the important principle of non-discrimination as part of TTIP.

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Licensing

API and IOGP favour a TTIP with the principle of "national treatment" applicable across industry sectors and equally to oil and natural gas, including for licensing for exploration and development of hydrocarbon resources.

General Principles of Risk Management in Offshore (i.e., Offshore Safety for Oil & Gas Production)

Generally, API and IOGP support a TTIP that preserves regulatory autonomy and establishes a regulatory cooperation process, including transparency and stakeholder consultation. With regards to risk management of offshore process safety, API and IOGP support recognition of the respective EU and US performance-based regulatory regimes, recognition of the best practice, high-level principles within these regimes, and an ongoing regulatory cooperation process between regulatory authorities. API and IOGP believe that a TTIP-prescribed "one-size-fits-all" regulatory regime for offshore safety would be unnecessary and potentially counter-productive, given different geologic basins and operating environments, and particularly if such a regime would have the practical effect of overriding or interfering with the detail of existing offshore safety regulation in the US and EU.

Transit

API and IOGP support TTIP provisions that would prohibit the non-discriminatory transit of any product, including oil and natural gas. API and IOGP support TTIP provisions that would prohibit discrimination in the transit of hydrocarbons with respect to the product's origin or destination – whether inside or outside the EU or the US. API and IOGP also support TTIP provisions that would prohibit the unauthorized taking of any industry product while it is in transit.

Interruption

API and IOGP believe that the issue of interruption of energy would be covered sufficiently under the provisions outlined in the Transit section above, through trade principles that prohibit discrimination and unauthorized taking of products in transit. API and IOGP support TTIP provisions that prohibit any taking of products in transit, which in the case of the transit of oil and natural gas would prohibit the interruption or reduction of the flow of oil and natural gas, irrespective of origin and destination – whether inside or outside of the EU or the US.

Third Party Access

API and IOGP believe that the current respective US and EU legal frameworks governing third party access to inter-state (in US: across US state lines; in EU: across EU member state borders) oil and natural gas pipelines are sufficient so as not to constitute barriers to trade, although some work on implementation remains to be done. Supporting principles of non-discrimination and addressing anti-competitive practices in relation to oil and gas infrastructure will be important in establishing a TTIP framework that supports trade and investment.

As with Offshore Safety (see above) and as a general principle regarding TTIP's treatment of regulation (see Regulatory Authorities section below), API and IOGP support a TTIP that preserves regulatory autonomy and also establishes a process for regulatory cooperation. Starting with mutual recognition of regulatory regimes governing third party access, API and IOGP support efforts by TTIP to strengthen and more effectively implement good regulatory practices.

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Regulatory Authorities

API and IOGP believe that TTIP should preserve regulatory autonomy – including mutual recognition of EU and US regulatory regimes for oil and natural gas – and establish a regulatory cooperation process. API and IOGP support regulations that are risk-based, evidenced-based and incorporate cost-benefit analysis. API and IOGP support regulations that are transparent and are the product of timely stakeholder consultation.

API and IOGP believe that underneath TTIP's umbrella provisions ensuring regulatory autonomy and mutual recognition, it may be possible to outline in TTIP oil and natural gas sector-specific commitments for regulatory coherence and cooperation. API and IOGP look forward to working with TTIP negotiators on both sides to discuss and agree on any such regulatory coherence and cooperation provisions in TTIP.

API and OGP recognize the important responsibility of managing sustainability impacts associated with producing and providing essential energy for global development. However, policies or principles which seek to lower greenhouse gas emissions, set renewable targets, mandate sustainability certification, etc., should be scientifically based, supported by comprehensive analysis and transparent processes, and also be in accordance with domestic environmental laws and global sustainability principles.

Localization

API and IOGP support provisions in TTIP that require competitive and transparent bidding for project approvals, operational licenses and labour sourcing – and also provisions that prohibit mandatory local content requirements.

Standards, Technical Regulations and Conformity Assessment

API and IOGP support treatment in TTIP of standards and conformity assessment measures, in compliance with national regulations and through the typical vehicle of a Technical Barriers to Trade (TBT) chapter.

Standards and technical programme organizations, such as API and OGP, produce standards and conformity assessment measures in compliance with national regulations and by following the precepts of openness, balance, consensus and due process in the development of such standards. By policy, these standards are performance-based to the maximum extent possible, allowing them to be applied to different operating and environmental conditions, including those that exist between the United States and the European Union.

API and OGP expect the United States and European Union to recognize these differences and not mandate a "one-size-fits-all" regulatory approach. As such, we strongly encourage timely and formal consultation with industry stakeholders prior to the enactment or implementation of any rule or regulation. This will ensure that the necessary consideration of the precepts above - required for the viability and ultimate success of any standard or regulatory regime - are given their due regard.

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Early Warning Mechanism

API and IOGP support a horizontal TTIP early warning mechanism, coupled with regulatory cooperation as described above in Regulatory Authorities, as a feature of trade transparency for industry to adapt with sufficient time to any changing regulations and standards in EU and US markets respectively.

Public Procurement

API and IOGP support transparent and non-discriminatory access to public procurement contracts, and encourage that a link is made by TTIP to the latest WTO Government Procurement Revised Agreement.

Exceptions

API and IOGP do not advocate exceptions to any of the positions espoused above as they would be codified in TTIP. API and IOGP do not support exceptions for the oil and gas sector for, e.g., non-commercial scale research and development nor for safety regulation and standards. API and IOGP believe that the oil and gas industry should not be singled out for TTIP exceptions, and that any such exceptions that would apply to oil and natural gas be ones that apply across multiple industry sectors.

Implementation and Cooperation

API and IOGP support a TTIP that encourages enhanced implementation and cooperation between the EU and the US, in recognition of the importance of the combined EU and US markets for our industry and because the US or the EU are the domiciles for the vast majority of our respective members. We also support a strong Investor State Dispute Settlement (ISDS) mechanism as part of efforts to strengthen the enforceability of the principles described in this paper, as well as other free market principles such as contract sanctity, anti-corruption and protection from arbitrary asset confiscation. We note that several EU member states already have their own bilateral investment agreements with each other and believe similar strong protections should exist between the EU and US.

12

[ ]*

From: [ ]IOGP[ ]@iogp.org>
Sent: 02 February 2015 15:58
To: [ ](TRADE); [ ](TRADE); [ ](ENER); [ ](TRADE)
Cc: [ ]IOGP
Subject: IOGP-API paper
Attachments: API-IOGP Industry Position on TTIP Energy Issues.pdf

Categories: Blue Category

Dear[ ],[ ],[ ]and[ ],

I hope you are well. Please find attached the IOGP-API position paper on TTIP, as discussed with[ ]it recently. This paper represents a large number of energy companies on both slides of the Atlantic.
We were invited to meet the USTR with some EU companies on Wednesday. We were also asked about whether we are talking at a stakeholder event on Wednesday (?)... Probably too late for this now, but maybe IOGP can speak at the next round in Brussels, if this possibility exists?

Please contact me with any questions.
[ ]

[ ]
IOGP, [ ]
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Transparency Register: ID number 3954187491-70

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[ ]
[ ]
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(126)

International Association of Oil & Gas Producers

energy API

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Oil & Natural Gas Industry Positions on Potential Energy Issues in TTIP
January 2015

Introduction

The American Petroleum Institute (API) and the International Oil and Gas Producers Association (IOGP) have agreed on a set of policy principles outlined in this document in order to provide the EU and US negotiators of the Transatlantic Trade and Investment Partnership (TTIP) with our views on a set of issues that have emerged for potential inclusion in TTIP.[1] This paper is a follow-up to our July 2014 policy position paper, in which we shared our positions on a set of overarching principles for TTIP, as agreed by the oil and gas industry on both sides of the Atlantic.

API and IOGP together account for more than half of the world's oil output and about one third of global gas production and work on behalf of their international oil and gas member companies to enhance the opportunities for oil and natural gas production and improve the competitiveness of the industry in the worldwide economy. The 700+ member companies of API and IOGP support free trade and a Transatlantic Trade and Investment Partnership (TTIP) that removes barriers, promotes market-oriented policies and creates genuine opportunities for commercial growth and job creation.

Based on preliminary documents and discussions, we have attempted to address the energy issues that have been raised for potential inclusion in TTIP. Although we observe that many of these issues would be applicable across industry sectors, the two associations do not take a formal position on the architecture of TTIP at this time. As indicated issue-by-issue below, the oil and natural gas industry on both sides of the Atlantic supports a TTIP that codifies competition, market forces and the free flow of oil and gas products and services between the US and EU, and supports principles that achieve these objectives.[2 & 3]

TTIP Principles

API and IOGP support the abolition of trade and investment restrictions on oil and natural gas goods and services and the liberalization of all trade in oil and natural gas. We support principles that achieve the objective of increasing trade in oil and natural gas, as well as principles that help to underpin investments in finding, developing, producing and transporting hydrocarbon resources. These principles include a commitment to stable, competitive and predictable investment frameworks; free market competition and protection from monopolies and other forms of market abuse; anti-corruption; contract sanctity; and protection from arbitrary asset confiscation by host governments. API and IOGP

[1] These issues emerged in two leaked EU "Non-papers," the first dated 20 September 2013 and leaked in May 2014 (http://big.assets.huffingtonpost.com/TTIPNonPaper.pdf), and the second dated 27 May 2014 and leaked in July 2014 (http://www.scribd.com/doc/233022558/EU-Energy-Non-paper).

[2] API and IOGP recognize that proposals may be developed by the negotiating teams throughout the TTIP process and will endeavour to provide a combined response to the negotiating teams as appropriate. The Associations will engage on the specific topic of the TTIP treaty's architecture, once the EU and US government negotiating teams determine a clearer idea of how the energy aspects of TTIP are to be structured.

[3] The two associations recognise that TTIP shall not affect an EU member state's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply, as per Article 194 of the EU Treaty.

understand that the TTIP agreement may in due course be used to help foster principles of good practice in the context of other international negotiations by the US and EU. API and IOGP have not taken a position on whether the energy provisions of TTIP should be structured in such a way as to better enable this. We have instead chosen to focus on the substance of the provisions.

Export Restrictions

Consistent with our support of the abolition of trade restrictions, API and IOGP oppose export restrictions and support the liberalization of energy exports, which includes the granting of oil and natural gas export licenses and the lifting of import restrictions. We believe energy should be subject to the same treatment in TTIP as other industry sectors with regards to the liberalization of exports. In addition, we believe oil and natural gas should be treated the same as other goods and services under TTIP provisions that govern dual-use trade.

Wholesale Energy Domestic Price Regulation

Generally, API and IOGP believe that market forces should set prices for goods and services and support provisions in TTIP that would abolish any domestic price regulation for energy goods. We support a TTIP that prohibits domestic wholesale regulated prices and liberalizes these prices where they exist. We agree that TTIP should bind parties to requirements that any domestic pricing policy for public service obligations should be limited in scope and duration, well-defined and non-discriminatory.

Dual Pricing

API and IOGP support a TTIP that abolishes dual pricing of oil and natural gas products. We believe that a TTIP prohibition of dual pricing should apply to all goods and services across sectors, as dual pricing historically has been applied also to non-energy products such as agricultural and building materials products.

Oil and Gas Trading and Export Monopolies

As with our support for the prohibition of dual pricing, API and IOGP support a TTIP that also prohibits monopolies of any kind, including for trading and export. We believe in market competition and lifting barriers to market entry. API and IOGP believe that TTIP should apply trade principles that prohibit monopolies as well as of anti-competitive and monopolistic practices.

General Access Conditions and Non discrimination across oil and gas value chain

API and IOGP support access to oil and natural gas reserves and markets that does not discriminate between national versus non-national firms. We support non-discriminatory access across the value chain and across market segments of the oil and natural gas industry, from licensing, exploration, production, transportation and distribution, sales and purchasing, exporting and importing. The principle of "national treatment" in trade agreements typically is treated horizontally. API and IOGP will await any firm proposals by the negotiating teams regarding non-discrimination specifically for oil and natural gas before deciding whether to comment further. The priority must be on addressing the important principle of non-discrimination as part of TTIP.

Licensing

API and IOGP favour a TTIP with the principle of "national treatment" applicable across industry sectors and equally to oil and natural gas, including for licensing for exploration and development of hydrocarbon resources.

General Principles of Risk Management in Offshore (i.e., Offshore Safety for Oil & Gas Production)

Generally, API and IOGP support a TTIP that preserves regulatory autonomy and establishes a regulatory cooperation process, including transparency and stakeholder consultation. With regards to risk management of offshore process safety, API and IOGP support recognition of the respective EU and US performance-based regulatory regimes, recognition of the best practice, high-level principles within these regimes, and an ongoing regulatory cooperation process between regulatory authorities. API and IOGP believe that a TTIP-prescribed "one-size-fits-all" regulatory regime for offshore safety would be unnecessary and potentially counter-productive, given different geologic basins and operating environments, and particularly if such a regime would have the practical effect of overriding or interfering with the detail of existing offshore safety regulation in the US and EU.

Transit

API and IOGP support TTIP provisions that would prohibit the non-discriminatory transit of any product, including oil and natural gas. API and IOGP support TTIP provisions that would prohibit the discrimination in the transit of hydrocarbons with respect to the product's origin or destination – whether inside or outside the EU or the US. API and IOGP also support TTIP provisions that would prohibit the unauthorized taking of any industry product while it is in transit.

Interruption

API and IOGP believe that the issue of interruption of energy would be covered sufficiently under the provisions outlined in the Transit section above, through trade principles that prohibit discrimination and unauthorized taking of products in transit. API and IOGP support TTIP provisions that prohibit any taking of products in transit, which in the case of the transit of oil and natural gas would prohibit the interruption or reduction of the flow of oil and natural gas, irrespective of origin and destination – whether inside or outside of the EU or the US.

Third Party Access

API and IOGP believe that the current respective US and EU legal frameworks governing third party access to inter-state (in US: across US state lines; in EU: across EU member state borders) oil and natural gas pipelines are sufficient so as not to constitute barriers to trade, although some work on implementation remains to be done. Supporting principles of non-discrimination and addressing anti-competitive practices in relation to oil and gas infrastructure will be important in establishing a TTIP framework that supports trade and investment.

As with Offshore Safety (see above) and as a general principle regarding TTIP's treatment of regulation (see Regulatory Authorities section below), API and IOGP support a TTIP that preserves regulatory autonomy and also establishes a process for regulatory cooperation. Starting with mutual recognition of regulatory regimes governing third party access, API and IOGP support efforts by TTIP to strengthen and more effectively implement good regulatory practices.

Regulatory Authorities

API and IOGP believe that TTIP should preserve regulatory autonomy – including mutual recognition of EU and US regulatory regimes for oil and natural gas – and establish a regulatory cooperation process. API and IOGP support regulations that are risk-based, evidenced-based and incorporate cost-benefit analysis. API and IOGP support regulations that are transparent and are the product of timely stakeholder consultation.

API and IOGP believe that underneath TTIP's umbrella provisions ensuring regulatory autonomy and mutual recognition, it may be possible to outline in TTIP oil and natural gas sector-specific commitments for regulatory coherence and cooperation. API and IOGP look forward to working with TTIP negotiators on both sides to discuss and agree on any such regulatory coherence and cooperation provisions in TTIP.

API and IOGP recognize the important responsibility of managing sustainability impacts associated with producing and providing essential energy for global development. However, policies or principles which seek to lower greenhouse gas emissions, set renewable targets, mandate sustainability certification, etc., should be scientifically based, supported by comprehensive analysis and transparent processes, and also be in accordance with domestic environmental laws and global sustainability principles.

Localization

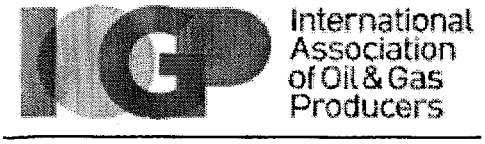
API and IOGP support provisions in TTIP that require competitive and transparent bidding for project approvals, operational licenses and labour sourcing – and also provisions that prohibit mandatory local content requirements.

Standards, Technical Regulations and Conformity Assessment

API and IOGP support treatment in TTIP of standards and conformity assessment measures, in compliance with national regulations and through the typical vehicle of a Technical Barriers to Trade (TBT) chapter.

Standards and technical programme organizations, such as API and IOGP, produce standards and conformity assessment measures in compliance with national regulations and by following the precepts of openness, balance, consensus and due process in the development of such standards. By policy, these standards are performance-based to the maximum extent possible, allowing them to be applied to different operating and environmental conditions, including those that exist between the United States and the European Union.

API and IOGP expect the US and EU to recognize these differences and not mandate a "one-size-fits-all" regulatory approach. As such, we strongly encourage timely and formal consultation with industry stakeholders prior to the enactment or implementation of any rule or regulation. This will ensure that the necessary consideration of the precepts above – required for the viability and ultimate success of any standard or regulatory regime – are given their due regard.



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Early Warning Mechanism

API and IOGP support a horizontal TTIP early warning mechanism, coupled with regulatory cooperation as described above in Regulatory Authorities, as a feature of trade transparency for industry to adapt with sufficient time to any changing regulations and standards in EU and US markets respectively.

Public Procurement

API and IOGP support transparent and non-discriminatory access to public procurement contracts and encourage that a link is made by TTIP to the latest WTO Government Procurement Revised Agreement.

Exceptions

API and IOGP do not advocate exceptions to any of the positions espoused above as they would be codified in TTIP. API and IOGP do not support exceptions for the oil and gas sector for, e.g., non-commercial scale research and development nor for safety regulation and standards. API and IOGP believe that the oil and gas industry should not be singled out for TTIP exceptions, and that any such exceptions that would apply to oil and natural gas be ones that apply across multiple industry sectors.

Implementation and Cooperation

API and IOGP support a TTIP that encourages enhanced implementation and cooperation between the EU and the US, in recognition of the importance of the combined EU and US markets for our industry and because the US or the EU are the domiciles for the vast majority of our respective members. We also support a strong Investor State Dispute Settlement (ISDS) mechanism as part of efforts to strengthen the enforceability of the principles described in this paper, as well as other free market principles such as contract sanctity, anti-corruption and protection from arbitrary asset confiscation. We note that several EU member states already have their own bilateral investment agreements with each other and believe similar strong protections should exist between the EU and US.

(13)

[ ]* (TRADE)

From: [ ] IOGP [ ]@iogp.org>
Sent: 10 June 2015 17:31
To: [ ] (TRADE); [ ](TRADE); [ ] (TRADE); [ ] (ENER)
Subject: New US crude oil report
Attachments: Sen Murkowski -- Rendering Vital Assistance -- 09Jun15.pdf

Categories: Blue Category

Dear[ ],[ ],[ ] and[ ],

Please find attached US Senator Murkowski's report released yesterday, which outlines how "American allies could formally request an exemption from the general prohibition [of the export of US crude oil] and President Obama is fully empowered to grant such a request under existing laws."

This corresponds with our industry's analysis of US laws and regulations regarding US crude oil exports, as well as our position which as you know supports complete liberalisation of US crude and LNG exports.

Ahead of the next negotiating round, it would be helpful if a small number of companies are able to meet you to discuss latest developments and share perspectives. Perhaps I could be in touch to agree a time and date, should this work for you.

With kind regards

[ ]

[ ]
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Mobile: +32 (0)[ ]
Transparency Register: ID number 3954187491-70

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* = all [...] relate to Article 4(1)b.

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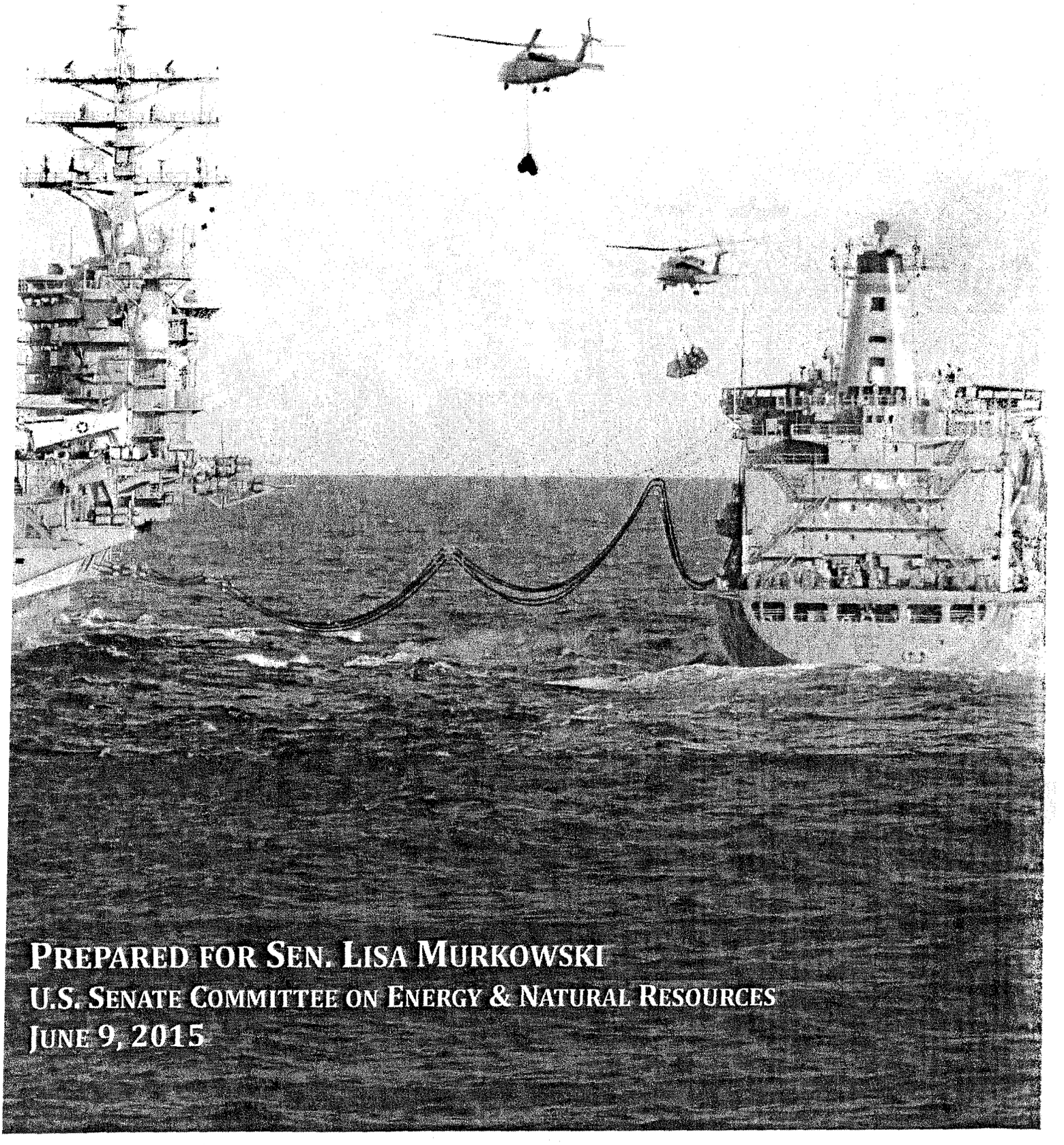
RENDERING VITAL ASSISTANCE:

ALLOWING OIL SHIPMENTS TO U.S. ALLIES



PREPARED FOR SEN. LISA MURKOWSKI

U.S. SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES

JUNE 9, 2015

Rendering Vital Assistance:
Allowing Oil Shipments to U.S. Allies

Prepared by Majority Staff for Chairman Lisa Murkowski
U.S. Senate Committee on Energy & Natural Resources
June 9, 2015

Summary

During the 1970s, the United States enacted a series of laws that, taken together as a practical matter, ban the export of domestic crude oil. The Unites States is the only advanced nation that maintains such a general prohibition.[1] Efforts are currently underway to repeal those laws, such as S. 1312, *The Energy Supply and Distribution Act of 2015*.[2] The President also retains the authority to approve oil exports immediately, without any further action from Congress.[3] American allies could formally request an exemption from the general prohibition and President Obama is fully empowered to grant such a request under existing laws.

Legislative Framework

The centerpiece of the oil export regime is the Energy Policy and Conservation Act (EPCA) of 1975. Section 103 of the Act provides the President authority to restrict exports of oil by rule. It also provides explicitly for exemptions and grants the President broad discretion to apply them. For example, in providing for exemptions, it also states:

> "Exemptions from any rule prohibiting crude oil . . . exports . . . may be based on the purpose for export, class of seller or purchaser, country of destination, or any other reasonable classification or basis as the President determines to be appropriate and consistent with the national interest and the purposes of this chapter."[4]

It is noteworthy that even EPCA, enacted at a time of severe oil shortages, from the outset clearly provided the President with very broad discretion to exempt oil exports from the general restrictions it empowered him to impose and contemplated that he would use it. The implementing regulations also show the scope of the President's authority to allow oil exports. Other export-restrictive laws also allow oil exports – subject to a presidential finding – including the Mineral Leasing Act, the Outer Continental Shelf Lands Act, and the Naval Petroleum Production Reserves Act.[5]

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[1] See *A Ban for One: The Outdated Prohibition on U.S. Oil Exports in Global Context* (June 26, 2014): http://1.usa.gov/1iNfofu.
[2] The bill's status is available here: https://www.congress.gov/bill/114th-congress/senate-bill/1312.
[3] See *Past is Precedent: Executive Power to Authorize Crude Oil Exports* (March 3, 2014): http://1.usa.gov/WJ3JnE.
[4] 42 U.S.C. 6212(b)(2).
[5] For general background, see Phillip Brown, et al, *U.S. Crude Oil Export Policy: Background and Considerations* (R43442), published by the Congressional Research Service on December 31, 2014. See also David Gordon, Elizabeth Rosenberg, and Ellie Maruyama, "Crude Oil Export & U.S. National Security," (May 14, 2015): http://www.cnas.org/sites/default/files/publications-pdf/CNAS%20Crude%20Exports_052015.pdf.

Regulatory Framework

Oil exports are regulated by the Bureau of Industry and Security (BIS) at the Department of Commerce. The rules governing these exports are enshrined in the Short Supply Controls, Part 754 of the Export Administration Regulations. Originally conceived during an era of scarcity and Cold War tension, the list of items still in "short supply" now includes only western red cedar (a type of tree), horses for export by sea (intended for slaughter), and crude oil (but not petroleum products).

The BIS regulations provide detail about an array of exceptions to the general prohibition on crude oil exports. Crude oil may be exported from Alaska and California under certain conditions, for example, and crude oil may also be exported to Canada for consumption in Canada. Exports are authorized for testing purposes and from the Strategic Petroleum Reserve in certain cases. The BIS may also approve swaps or exchanges.

Most significantly, the regulations state:

> "BIS will review other applications to export crude oil on a case-by-case basis and... generally will approve such applications if BIS determines that the proposed export is consistent with the national interest and the purposes of the Energy Policy and Conservation Act (EPCA)."

This "case-by-case" authority is the regulatory expression of the legislative framework discussed above. Under existing regulations, any company may submit an application to export crude oil from the United States and the Department of Commerce retains the explicit authority to approve or deny such an application. The only question is whether the administration determines that exports are in the national interest.

National Exemptions

The existing legal structure allows for exemptions for virtually any reason. The administration could determine that all exports of condensate or light crude oil are in the national interest or that a mismatch between high production levels of light crude oil and low capacity levels at refineries capable of processing that type of oil warrants a new class of exception to the general prohibition.[6] The administration could authorize all exports from unconventional shale plays or from certain regions that lacked access to infrastructure. Perhaps most easily, however, the administration could exempt certain countries of destination from the export ban.

President Reagan authorized all crude oil exports to Canada for consumption Canada in 1985, establishing an exemption for that country. (See Appendix A.) This decision has

[6] See *License to Trade: The Commerce Department's Authority to Allow Condensate Exports* (April 2, 2014): http://1.usa.gov/1HwAiWk. See also *Terms of Trade: Condensate as an Exportable Commodity* (July 9, 2014): http://1.usa.gov/VYuJQE.

proved to be far-sighted. In 2005, the United States exported only 30,000 barrels per day of crude oil to Canada. In February of 2015, that number stood at 409,000 barrels per day. This national interest determination followed the conclusion of a cross-border swap program initiated in 1976 by President Ford and continued by President Carter.[7]

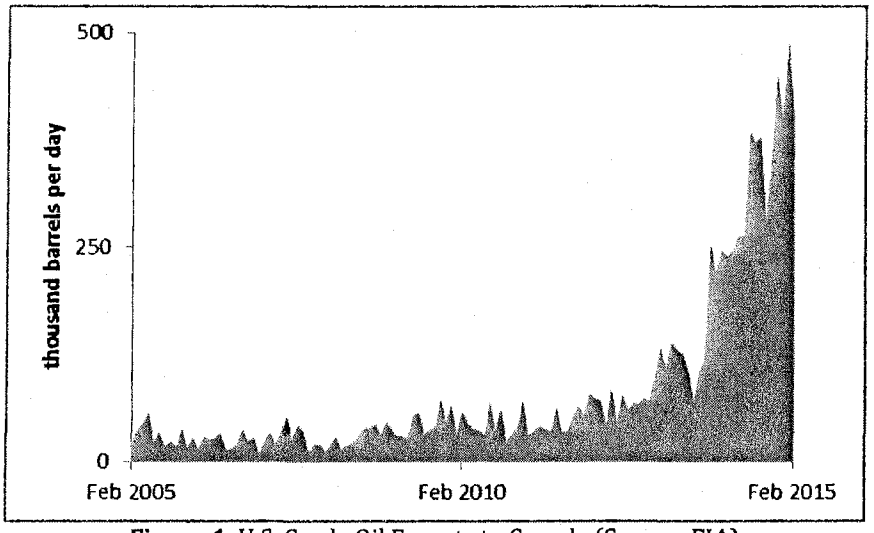

Figure 1. U.S. Crude Oil Exports to Canada (Source: EIA)

In March 2015, a bipartisan group of twenty-one senators led by Senators Murkowski (R-AK) and Heidi Heitkamp (D-ND) sent a letter to the Department of Commerce encouraging the administration to grant an exemption for Mexico on the same basis as the one granted for Canada in 1985. (See Appendix B.) This letter was followed by a bipartisan companion letter sent from the House of Representatives in April 2015.

The United States is also permitted to export crude oil to Israel in the event of a national emergency. This agreement was first signed in 1975 by the Ford administration and formalized in 1979 by the Carter administration. It was subsequently reauthorized by the Clinton administration in 1994 and by the Bush administration in 2004. It expired in November 2014, but the Obama administration renewed the agreement following a bipartisan letter led by Senators Lisa Murkowski and Mark Warner (D-VA) sent in April 2015, encouraging the Department of State to expedite its renewal. (See Appendix C.)

Nothing at all prevents another government from requesting an exemption from the general prohibition on U.S. oil exports. There is no standard protocol for submitting such a request. It could be transmitted by a letter or during a meeting at the ministerial or ambassadorial level, for example. Further, companies could also submit a detailed proposal for transactions directly to the Department of Commerce.

Any nation could make a request. To demonstrate the breadth of the opportunity, consider a series of examples:

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[7] See *Crude Pro Quo: The Use of Oil Exchanges to Increase Efficiency* (May 22, 2014): http://1.usa.gov/1nUEA1K.

Poland

In 2012, Poland produced approximately 20,000 barrels per day of crude oil and imported another 500,000 barrels per day.[8] This equation renders it virtually entirely dependent on oil imports, 96 percent of which come from Russia. There are four operational refineries in the country. Despite its import dependence, Poland exports small amounts of crude oil and significant volumes of refined products, occasionally even to the United States.

Ties between Poland and the U.S. date back to the American Revolution, when figures such as Tadeusz Kościuszko and Casimir Pulaski fought alongside the colonists. More recently, Poland deployed troops to both Iraq and Afghanistan as a vital coalition partner.

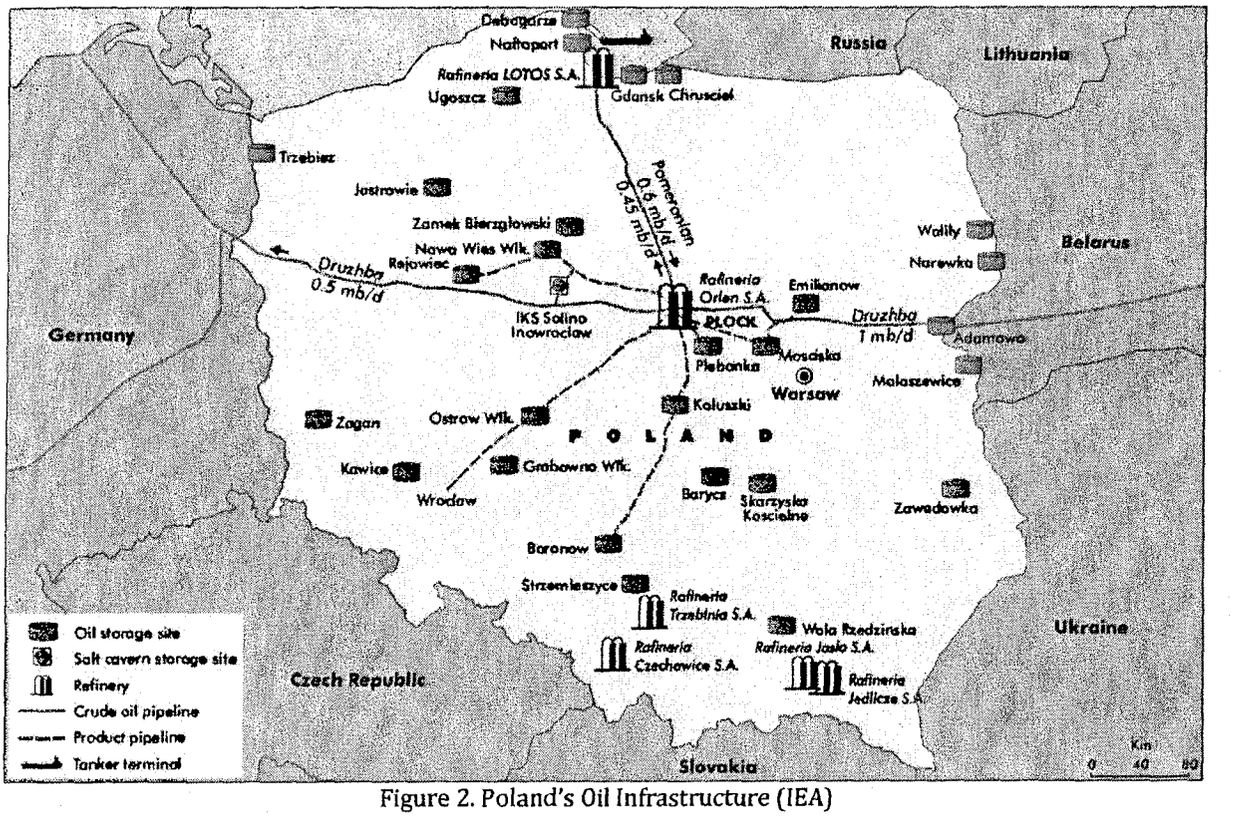

Figure 2. Poland's Oil Infrastructure (IEA)

[8] International Energy Agency, *Energy Supply Security: The Emergency Response of IEA Countries* (2014): https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_Poland.pdf.

Belgium

In 2012, Belgium produced no crude oil. It imported over 300,000 barrels per day, with 37 percent of that total coming from Russia and another 23 percent from Saudi Arabia.[9] Despite this complete dependence on imported crude oil, Belgium maintains a significant presence in the downstream sector, boasting four refineries and the major port of Antwerp. The United States is among its customers, importing some 60,000 barrels per day of mostly unfinished oils in 2014. The North Atlantic Treaty Organization (NATO) is headquartered in Brussels. Belgium has also deployed troops to Afghanistan as part of the coalition.

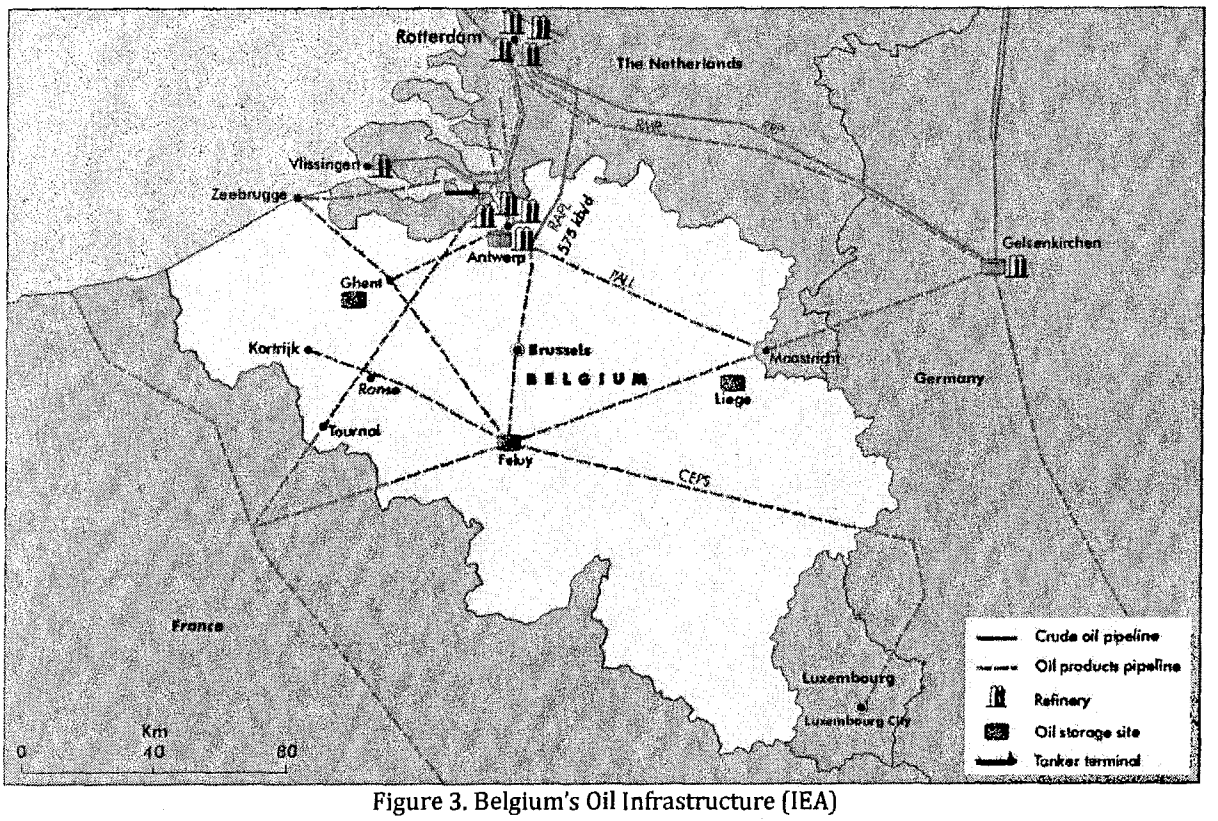

Figure 3. Belgium's Oil Infrastructure (IEA)

[9] IEA, *Energy Supply Security*: https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_Belgium.pdf.

The Netherlands

In 2012, the Netherlands produced approximately 52,000 barrels per day of crude oil, but consumed over 1 million barrels per day.[10] It is approximately 95 percent dependent on imported crude oil. About 31 percent of these barrels come from Russia. The country is a major hub in the broader European energy system. The International Energy Agency describes the Netherlands as "a key link in European oil supply flows, with the total volumes of oil transiting over four times larger than Dutch oil demand." The country's five refineries export petroleum products, including some 84,000 barrels per day to the United States. The two nations have maintained diplomatic relations since 1782. Dutch and American military forces have served together in numerous engagements across the globe.

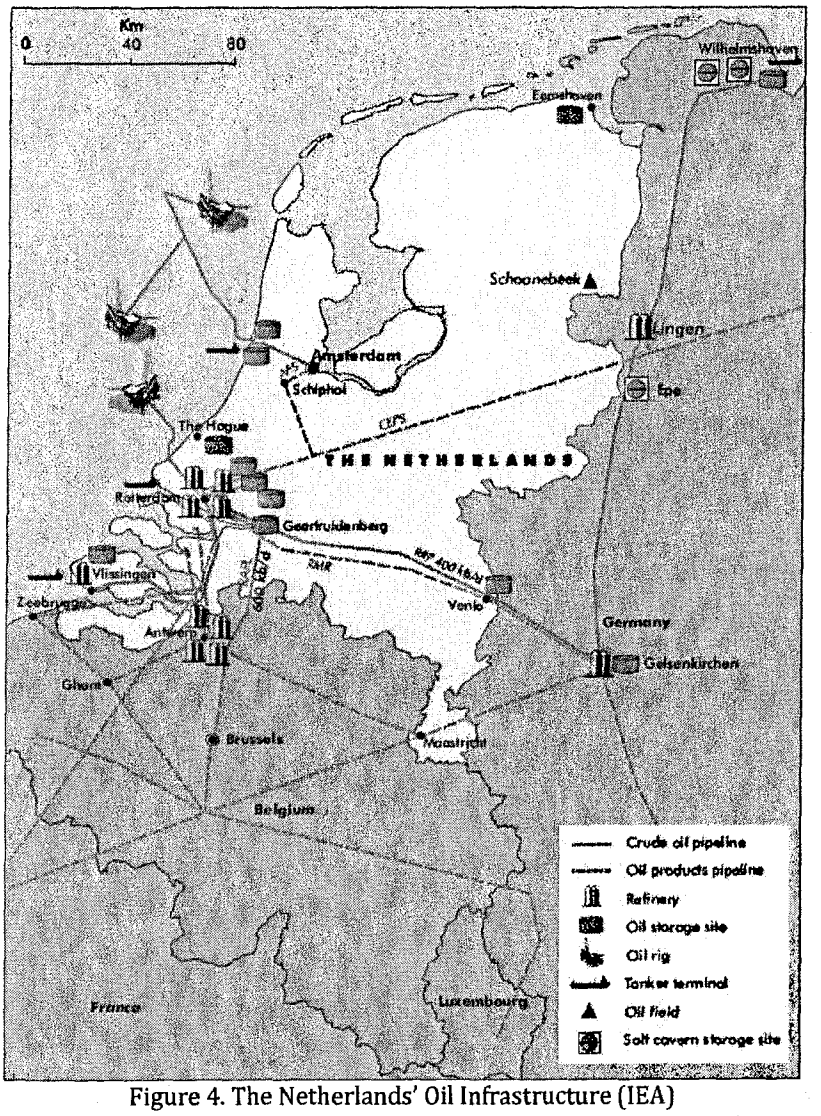

Figure 4. The Netherlands' Oil Infrastructure (IEA)

[10] IEA, *Energy Supply Security*: https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_TheNetherlands.pdf.

India

In 2012, India produced just over 800,000 barrels per day of crude oil but imported more than three times that amount.[11] The country is approximately 76 percent dependent on crude oil imports, the vast majority (69 percent) from the Middle East - including 279,000 barrels per day from Iran in 2014, according to the International Energy Agency. There were 22 refineries in India in 2012 with approximately 4.4 million barrels per day in refining capacity. In 2014, the U.S. imported over 90,000 barrels per day of refined products - mostly motor gasoline blending components - from India. The two nations are strategic partners with growing bilateral economic and security ties.

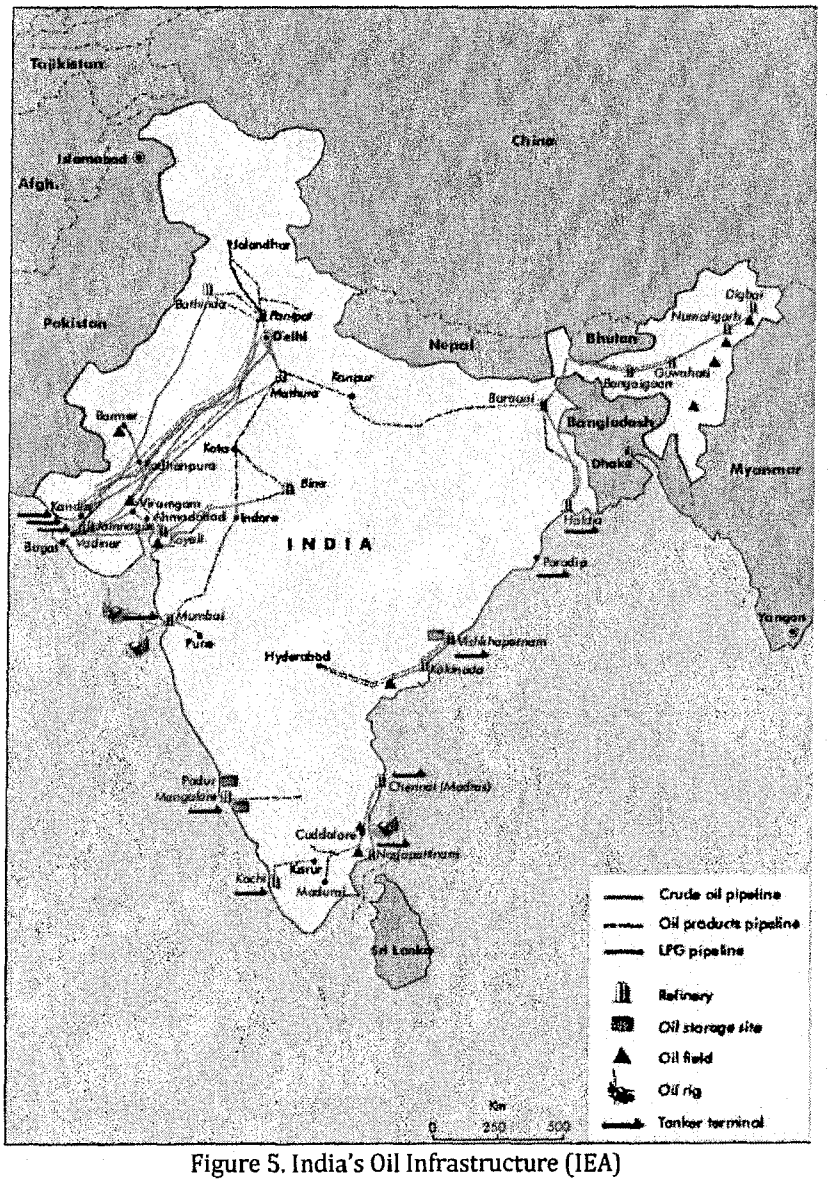

Figure 5. India's Oil Infrastructure (IEA)

[11] IEA, *Energy Supply Security*: https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_India.pdf.

Japan

In 2012, Japan produced approximately 17,000 barrels per day of crude oil but imported approximately 4.7 million barrels per day.[12] The island nation is 99.7 percent dependent on oil imports. It receives approximately 33 percent of its crude oil from Saudi Arabia, 23 percent from the United Arab Emirates, 8 percent from Kuwait, 6 percent from Qatar, and 5 percent from Russia. Nonetheless, it is home to one of the largest downstream centers in the world with 27 refineries and nearly 5 million barrels per day in capacity. Japan has historically imported liquefied natural gas, as well as crude oil, from Alaska, and even exports approximately 14,000 barrels per day of refined products to the United States. The two nations signed a bilateral defense treaty in 1951 and have cooperated in security operations ever since.

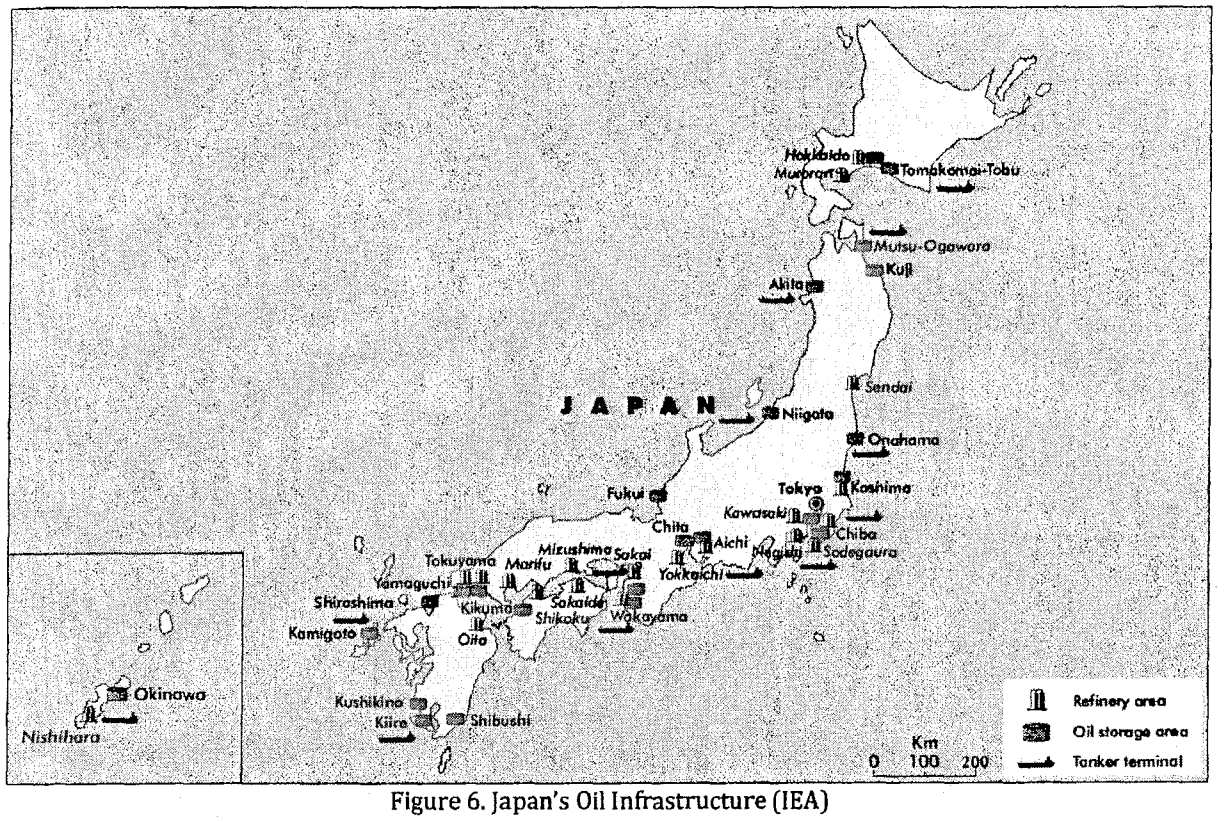

Figure 6. Japan's Oil Infrastructure (IEA)

[12] IEA, *Energy Supply Security*: https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_Japan.pdf.

South Korea

In 2012, South Korea produced approximately 21,300 barrels of crude oil but imported more than ten times that amount.[13] It is 99.1 percent dependent on crude oil imports, the vast majority of which originate from the Middle East: 33 percent from Saudi Arabia, 15 percent from Kuwait, 11 percent from Qatar, 10 percent from Iraq, and 9 percent from the United Arab Emirates. It has five refineries with approximately 3 million barrels per day in capacity and exports approximately 61,000 barrels per day in refined products to the United States. The two nations signed a bilateral defense treaty in 1953.

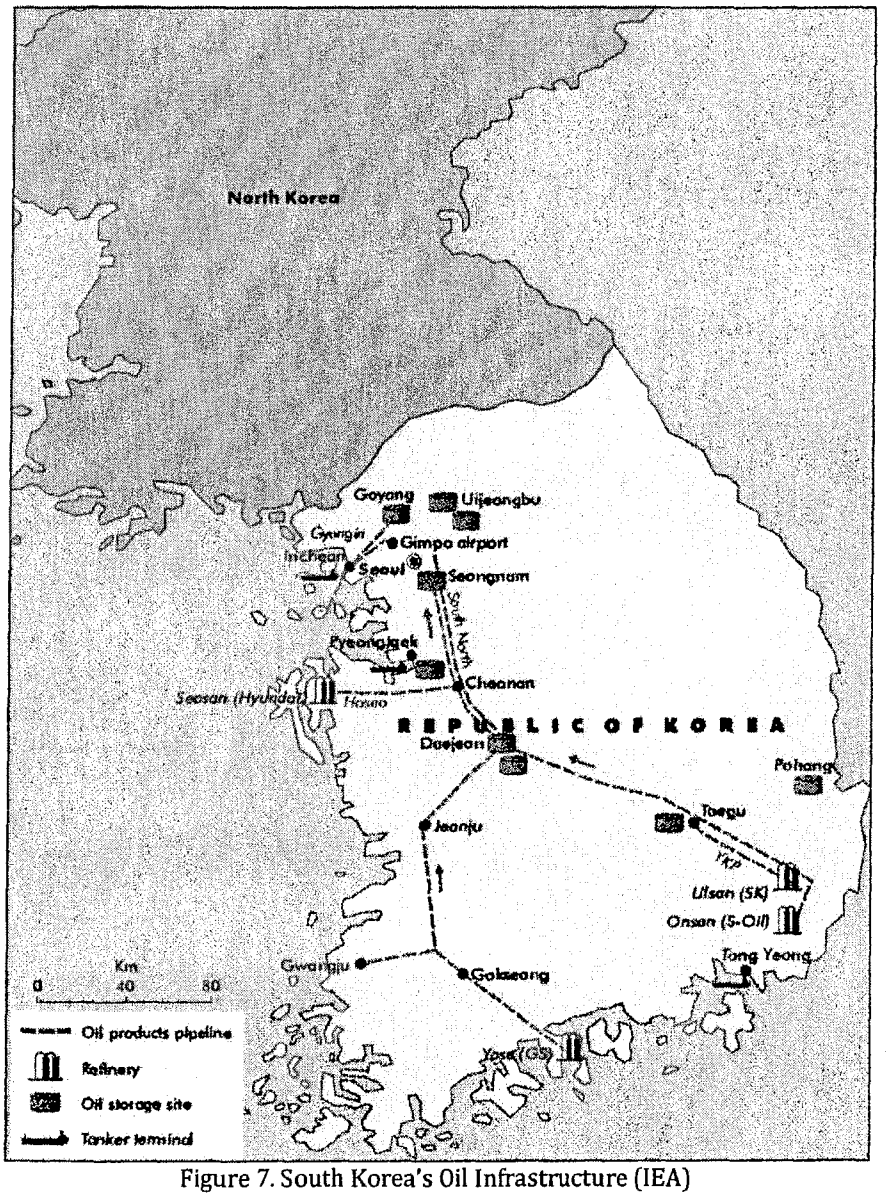

Figure 7. South Korea's Oil Infrastructure (IEA)

[13] IEA, *Energy Supply Security*: https://www.iea.org/media/freepublications/security/EnergySupplySecurity2014_TheRepublicofKorea.pdf.

Conclusion

While legislative efforts aimed at full repeal of crude oil export restrictions progress in Congress, the administration retains broad authority to allow greater exports to U.S. allies that request exemptions from those restrictions. This authority is enshrined in both law and regulation and was explicitly delegated to the executive branch by Congress. Substantial precedent exists for such exemptions to be granted, particularly to U.S. allies. A national interest finding by the President could be implemented immediately by the Department of Commerce and exports could set sail as soon as the commercial and logistical arrangements were made.

Many U.S. allies and trading partners are interested in purchasing American oil to diversify away from Russia, Iran, and other problematic sources. Allowing such shipments would send a powerful signal of support and reliability at a time of heightened geopolitical tensions in much of the world.[14] The mere option to purchase U.S. oil would enhance the energy security of countries such as Poland, Belgium, the Netherlands, India, Japan, and South Korea, even if physical shipments did not occur. The administration, in fact, makes this same argument in its authorizations to export liquefied natural gas (LNG):

> "An efficient, transparent international market for natural gas with diverse sources of supply provides both economic and strategic benefits to the United States and our allies. Indeed, increased production of domestic natural gas has significantly reduced the need for the United States to import LNG. In global trade, LNG shipments that would have been destined to U.S. markets have been redirected to Europe and Asia, improving energy security for many of our key trading partners. To the extent U.S. exports can diversify global LNG supplies, and increase the volumes of LNG available globally, it will improve energy security for many U.S. allies and trading partners."[15]

Exempting certain countries on a case-by-case basis, as the statutes and regulations currently allow, would be a partial and helpful step toward the modernization of U.S. energy policy. Nonetheless, full statutory repeal of U.S. oil export restrictions remains the most effective way of allowing domestic producers to access global markets.

Acknowledgments

Staff wish to thank the Congressional Research Service for its assistance with this report. The cover image is of the oiler USNS Big Horn replenishing the aircraft carrier USS Dwight D. Eisenhower in the Mediterranean Sea.[16]

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[14] Arthur Herman, "Crude Story," *The American Interest* (May 26, 2015): http://www.hudson.org/research/11324-crude-story.

[15] See, for example: http://www.fossil.energy.gov/programs/gasregulation/authorizations/2012_applications/ord3638.pdf, p. 191.

[16] Marc D. Schron, US Navy (March 14, 2009): http://www.defense.gov/HomePagePhotos/LeadPhotoImage.aspx?id=13529.

APPENDIX A:
President Reagan's Finding for Canada

deral Register
l. 50, No. 117
esday, June 18, 1985

Presidential Documents

tle 3—

he President

Presidential Findings of June 14, 1985

United States-Canadian Crude Oil Transfers

On March 18, 1985, at the Quebec Summit, I joined Prime Minister Mulroney in endorsing a Trade Declaration with the objective of liberalizing energy trade, including crude oil, between the United States and Canada. Both Governments recognized the substantial benefits that would ensue from broadened crude oil transfers and exchanges between these two historic trading partners and allies. These benefits would include the increased availability of reliable energy sources, economic efficiencies, and material enhancements to the energy security of both countries. Following this Declaration, Canada declared that it would permit Canadian crude oil to be freely exported to the United States effective June 1, 1985.

Before crude oil exports to Canada can be authorized, I must make certain findings and determinations under statutes that restrict exports of crude oil. I have decided to make the necessary findings and determinations under the following statutes: Section 103 of the Energy Policy and Conservation Act (42 U.S.C. 6212); section 28 of the Mineral Lands Leasing Act of 1920, as amended by the Trans-Alaska Pipeline Authorization Act of 1973 (30 U.S.C. 185); and section 28 of the Outer Continental Shelf Lands Act (43 U.S.C. 1354) (crude oil transported over the Trans-Alaska Pipeline or derived from the Naval Petroleum Reserves is excluded).

I hereby find and determine that exports of crude oil under these statutes are in the U.S national interest, and I further find and determine that such U.S. crude oil exports to Canada—

- will not diminish the total quantity or quality of petroleum available to the United States;
- will not increase reliance on imported oil;
- are in accord with provisions of the Export Administration Act of 1979; and
- are consistent with the purposes of the Energy Policy and Conservation Act.

Therefore, such domestic crude oil may be exported to Canada for consumption or use therein.

These findings and determinations shall be published in the Federal Register. I direct the Secretary of Commerce to take all other necessary and proper action to expeditiously implement this decision.

Ronald Reagan

THE WHITE HOUSE,
June 14, 1985.

[FR Doc. 85-14782
Filed 6-17-85; 9:35 am]
Billing code 3195-01-M

les and Regulations

Federal Register
Vol. 50, No. 122
Tuesday, June 25, 1985

section of the FEDERAL REGISTER
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FEDERAL REGISTER issue of each

ARTMENT OF COMMERCE

rnational Trade Administration

:FR Part 377

:ket No. 50698-5098]

orts of Crude Oil to Canada for isumption or Use Therein

:NCY: International Trade
ninistration, Commerce.

'ION: Final rule.

IMARY: On June 14, 1985, President
igan determined that crude oil
iorts to Canada are in the national
erest and made the necessary
dings under the Energy Policy and
nservation Act, the Mineral Lands
asing Act, and the Outer Continental
elf Lands Act to permit exports to
nada of crude oil subject to those
tutory restrictions (50 FR 25189, June
1985). To implement this
termination, Part 377 of the Export
lministration Regulations is being
vised to permit crude oil exports to
nada for consumption or use therein,
ovided that it was not transported via
e Trans-Alaska Pipeline and was not
oduced from Naval Petroleum
serves.

FECTIVE DATE: June 25, 1985.

FOR FURTHER INFORMATION CONTACT:
odney A. Joseph, Acting Manager,
ort Supply Program, Room 3876,
ffice of Industrial Resource
dministration, U.S. Department of
ommerce, Washington, DC 20230,
elephone: 202/377-3984.

SUPPLEMENTARY INFORMATION:

ulemaking Requirements

1. Since this rule pertains to a foreign ffairs function of the United States, the roposed rulemaking procedures and the elay in effective date required under the Administrative Procedures Act are inapplicable.

2. This rule contains a collection of information requirement subject to the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.* The collection of this information has been approved by the Office of Management and Budget (OMB control number 0625-0001).

3. This rule is not subject to the requirements of the Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* because a notice of proposed rulemaking is not required to be published. Accordingly, no initial or final Regulatory Flexibility Analysis has or will be prepared.

4. Since this rule pertains to a foreign affairs function, it is not a rule within the meaning of section 1(a) of Executive Order 12291 (46 FR 13193, February 19, 1981), "Federal Regulation."

Therefore, this regulation is issued in final form. Although there is no formal comment period, public comments on this regulation are welcome on a continuing basis.

List of Subjects in 15 CFR Part 377

Exports.

PART 377—SHORT SUPPLY CONTROLS AND MONITORING

1. The authority citation for Part 377 is revised to read as follows:

Authority: Secs. 203, 206, Pub. L. 95-223, as amended (50 U.S.C. 1702, 1704); E.O. 12470 of March 30, 1984 (49 FR 13099, April 3, 1984); Presidential Notice of March 28, 1985 (50 FR 12513, March 29, 1985); Sec. 103, Pub. L. 94-163, as amended, (42 U.S.C. 6212); Sec. 28, Pub. L. 93-153, (30 U.S.C. 185); Sec. 28, Pub. L. 95-372, (43 U.S.C. 1354); E.O. 11912 of April 3, 1976 (41 FR 15825, as amended); and Presidential Findings (50 FR 25189, June 18, 1985)

2. Accordingly, the Export Administration Regulations (15 CFR Part 368-399) are amended by adding § 377.6(d)(1)(viii) as follows:

§ 377.6 Petroleum and petroleum products.

* * * * *

(d) * * *

(1) * * *

(viii) *Exports to Canada for consumption or use therein.* The Group A commodity was not produced from the Naval Petroleum Reserves and was not and will not be transported by pipeline over rights-of-way granted pursuant to Sec. 203 of the Trans-Alaska Pipeline Authorization Act and is being exported to Canada for consumption or use therein.

* * * * *

Issued: June 20, 1985.

William T. Archey,

Acting Assistant Secretary for Trade Administration.

[FR Doc. 85-15284 Filed 6-24-85; 8:45 am]

BILLING CODE 3510-25-M

SECURITIES AND EXCHANGE COMMISSION

17 CFR Parts 230, 239, 270, and 274

[Release Nos. 33-6588; IC-14575; File No. S7-1007]

Registration Forms for Insurance Company Separate Accounts That Offer Variable Annuity Contracts

AGENCY: Securities and Exchange Commission.

ACTION: Adoption of forms, rule amendments, and publication of guidelines.

SUMMARY: The Commission is adopting: (1) Form N-3, a new registration form for certain separate accounts registered under the Investment Company Act of 1940 as management investment companies, and certain other separate accounts; (2) Form N-4, a registration form for certain separate accounts registered under the Investment Company Act of 1940 as unit investment trusts, and certain other separate accounts; and (3) related rule amendments. The Commission is also publishing staff guidelines for the preparation of Forms N-3 and N-4. The Commission is adopting the foregoing to integrate and codify disclosure requirements for insurance company separate accounts that offer variable annuity contracts and to shorten and simplify the prospectus provided to investors, while making more extensive information available for those who request it. Separate accounts will be permitted to use existing registration forms during a transition period of approximately one year.

DATE: The amended rules will be effective July 25, 1985. The new forms and guidelines will be available for registration of separate accounts and for

APPENDIX B:
Letter to Secretary Pritzker on Mexico Oil Exports

United States Senate

WASHINGTON, DC 20510

February 18, 2015

The Honorable Penny Pritzker
Secretary
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, D.C. 20230

Dear Secretary Pritzker:

We are writing to express our support for increasing our nation's energy ties with Mexico. As you know, energy resources often overlie international boundaries, as we have clearly seen in deepwater exploration in the Gulf of Mexico and the Eagle Ford shale along our southern border. Natural gas is traded between our two nations through more than twenty existing pipelines, and many others are under consideration. Additionally, increasing commercial activity in petroleum products, natural gas liquids, and other types of energy is further expanding the U.S.-Mexico energy relationship.

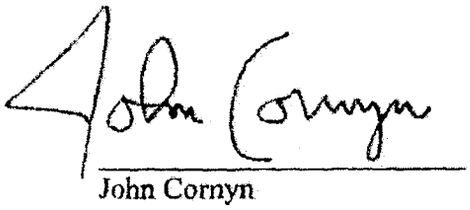
Recent news reports indicate that PEMEX has applied for a swap transaction that would involve imports of heavy Mexican oil in exchange for exports of light U.S. oil. We encourage the Department of Commerce to approve any such applications it has received or may receive from adjacent foreign states, such as Mexico. The Energy Policy and Conservation Act and other relevant statutes clearly authorize swaps and exchanges and, in our view, deserve bipartisan support. Presidents Gerald Ford, Jimmy Carter, and Ronald Reagan all supported such a program with Canada from 1976 to 1985, with the intention of relieving a supply and quality mismatch comparable to the present North American situation. These potential transactions are in the national interest and, if applied for, should be authorized without delay.

In fact, we believe it would be appropriate to further liberalize energy trading with Mexico. President Reagan issued a national interest finding in 1985 stating that oil exports to Canada (for consumption in that country) were in accord with existing statutes and would not threaten U.S. supply. This limited but clear authority to expand exports was given to the executive branch through laws (such as the Energy Policy and Conservation Act of 1975) passed by Congress and is particularly relevant as our nation's energy mix evolves with the rise of domestic production. As a result of the expressed interest from Mexico in obtaining U.S. crude oil, we encourage the current administration to follow President Reagan's example by issuing a similar finding that United States oil exports to Mexico, for consumption in Mexico, are in the national interest.

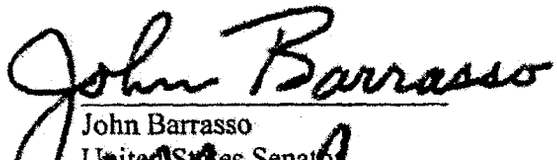
Sincerely,

Lisa Murkowski
United States Senator

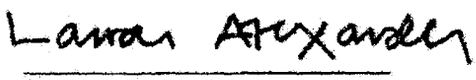
Heidi Heitkamp
United States Senator



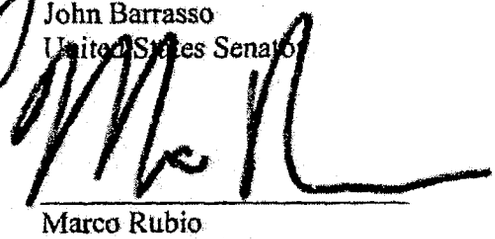
John Cornyn
United States Senator



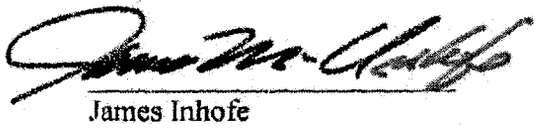
John Barrasso
United States Senator



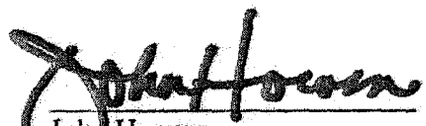
Lamar Alexander
United States Senator



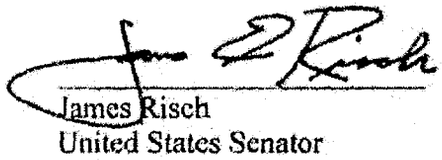
Marco Rubio
United States Senator



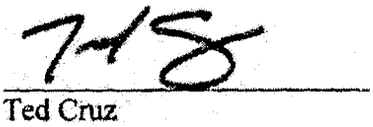
James Inhofe
United States Senator



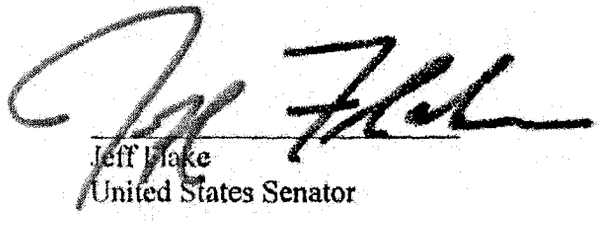
John Hoeven
United States Senator



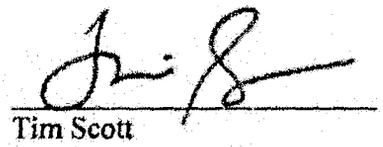
James Risch
United States Senator



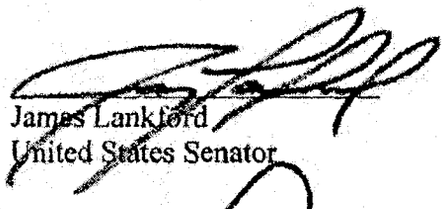
Ted Cruz
United States Senator



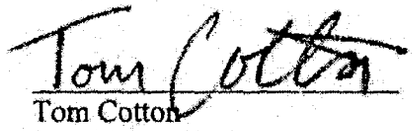
Jeff Flake
United States Senator



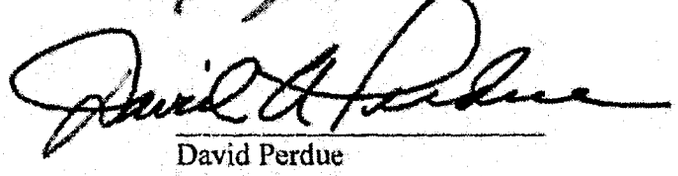
Tim Scott
United States Senator



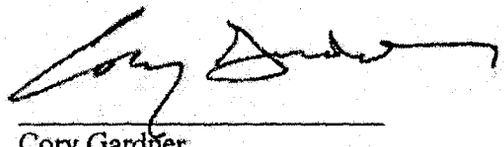
James Lankford
United States Senator



Tom Cotton
United States Senator



David Perdue
United States Senator



Cory Gardner
United States Senator

Dan Sullivan
United States Senator

Ron Johnson
United States Senator

Shelley Moore Capito
United States Senator

Mike Lee
United States Senator

Bill Cassidy
United States Senator

APPENDIX C:
Letter to Secretary Kerry on Israel Oil Supply Agreement

United States Senate

WASHINGTON, DC 20510

March 12, 2015

The Honorable John Kerry
Secretary of State
United States Department of State
2201 C Street, NW
Washington, DC 20520

Dear Secretary Kerry:

The President's National Security Advisor recently said that our nation's relationship with Israel should be "unquestionably strong, immutable, regardless of political seasons in either country and regardless of which party is in control in either country." We could not agree more.

The United States has long worked with Israel on issues related to energy and the environment. The Energy Independence and Security Act of 2007, which provided for such cooperation, passed the Senate in an overwhelming bipartisan vote. An American company is helping explore and develop hydrocarbon resources in the Eastern Mediterranean. Most recently, the United States-Israel Strategic Partnership Act of 2014 passed both chambers of Congress unanimously and President Obama signed it into law last December.

We are writing to express our support for the renewal of a historic agreement that expired on November 25, 2014. Under its terms, our nation guarantees the delivery of oil to Israel in the event that Israel ever loses access to global markets, as may occur during a crisis. The first iteration of this agreement was signed under President Ford in 1975. President Carter's Secretary of State formalized the agreement in 1979. It has been renewed under Presidents Clinton in 1994 and Bush in 2004. It has never been invoked. We appreciate that your Department is working closely with the Government of Israel to assure its energy security. We urge you to expedite the renewal of this important agreement as a meaningful gesture of support to our friend and ally at this challenging time.

Sincerely,

Lisa Murkowski
United States Senator

Mark Warner
United States Senator

James Risch
United States Senator

Heidi Heitkamp
United States Senator

John Barrasso
United States Senator

Joe Manchin
United States Senator