

American Energy Alliance
1155 15th Street NW, Suite 900
Washington, DC 20005

May 20, 2020

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

Thank you for your leadership in this most challenging time. As you take steps to restore the economy, we write to express our concern about a misguided policy response being pushed from some quarters. Tariffs on imported oil would damage domestic industries and consumers while harming American global energy dominance.

We applaud your overall approach to energy policy. Your administration's leasing and regulatory policies have helped increase domestic production and strengthened America's foreign policy hand. The leasing on federal lands and waters that the administration has undertaken, and continues to undertake, will boost domestic production for many years to come, increasing American energy dominance and creating jobs. Oil tariffs, on the other hand, are the action of a weak energy country, and weak energy policy. The U.S. energy industry draws strength from its global competitiveness and U.S. consumers and employees benefit from our strong domestic refining capacity.

United States refiners are plugged into global markets. They use varying mixes of domestic and foreign oil grades depending on the specifications of each refinery and to balance global demand for refined products. These globally competitive refineries cannot simply switch over to American shale oil grades. The refineries are currently not designed to take the grades being produced in newly vast volumes from U.S. shale fields. Tariffs on imported oil would increase costs for refiners while doing nothing to increase their use of U.S. shale oil. These higher costs would raise gas prices at the pump, harming our nation's refiners and raising energy prices for American families during these already challenging economic times.

This imbalance between domestic grade production and domestic grade demand is why the ability to export our energy surplus is so important. Unfortunately, tariffs would also harm U.S.

exports. Any U.S. tariffs would invite retaliation from our global competitors, not just on crude oil but also on refined products. Years before crude oil exports were even allowed, the U.S. became a net exporter of refined products. These exports help reduce our trade deficit and support high paying domestic jobs. Tariffs on imported oil would make these refined exports more expensive and thus less competitive globally, in addition to retaliatory tariffs from other countries. This double blow to our refined exports would increase our trade deficit. Likewise, retaliatory tariffs on crude oil would decrease our ability to export our shale oil surplus, which is the key to our booming domestic production.

Against these significant harms, oil tariffs will have no positive benefits. Even if tariffs marginally increase the price of imported oil, U.S. domestic production is still far above current demand. Prices for domestic oil would therefore not increase with the imposition of import tariffs. This is because the core problem for U.S. producers is not imports, it is a loss of demand. The shutdowns and slowdowns in the U.S. and around the world mean that people are driving and flying much less. Until demand returns, prices for U.S. oil producers will not rise.

Ultimately, the best solution for U.S. oil producers is getting the economy back open and running. Oil tariffs do nothing to help open the economy, but would do harm to domestic industries and consumers. We urge you to reject this harmful, shortsighted policy.

Sincerely,

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American Energy Alliance

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Alaska Policy Forum

Phil Kerpen
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