Oil

US to become net oil exporter ex-Canada by 2019

With rising shale liquids output continuing to outpace oil demand growth, PIRA* forecasts that the US will become a net oil exporter by 2023, writes *Paul Sheldon*, S&P Global Platts Analytics. In the meantime, rising Canadian imports are also set to make the US a net oil exporter to the world outside North America by 2019.

Lower US oil import dependence will likely have political implications, including a growing temptation to use Strategic Petroleum Reserve (SPR) sales to fund non-energy items. In addition, calls for a reduced military presence in the Middle East could grow louder.

US net oil imports, as simply measured by total liquids supply minus oil demand, peaked in 2005 at 12.5mn b/d. By 2017, total US liquids production rose by nearly 90% to 16mn b/d, and net oil imports fell to 4.4mn b/d. PIRA estimates the US will shift to a net oil exporter by 2023, with net exports forecast to reach over 3mn b/d by around 2030.

However, the headline net oil import figure does not tell the complete story of US oil trade flows. The US remains a large net importer of crude, at over 7mn b/d in 2017 (3mn b/d from Canada, and around 2mn b/d from both Latin America and the Middle East). At the same time, in 2017 PIRA forecasts the US will be a net exporter of close to 1mn b/d of the four major refined products (gasoline, diesel, jet kerosene, and fuel oil). NGL exports are also growing as a result of higher shale production, reaching nearly 1.5mn b/d in 2017.

An improving US trade balance may have several implications. For one, lower oil import dependence may impact how the US utilises the SPR. The government created this emergency stockpile in the wake of the Arab oil embargo in 1973–1974, in order to alleviate the economic impact of oil supply disruptions. But since late 2015, three pieces of non-energy legislation have mandated close to 150mn barrels of SPR sales from 2017 to 2025. With US shale production projected to nearly double from 7.4mn b/d in 2017 to 14mn b/d by 2025, the temptation for lawmakers to tap the SPR for unrelated items will likely grow.

Political discussions over potential SPR sales extend beyond Congress to the White House as well. In March 2017, a Trump Administration budget proposal included $16.6bn in SPR sales between fiscal 2018 and 2027. The proposal is unlikely to pass in its current form, but demonstrates how many politicians view non-emergency SPR sales as more politically palatable than tax hikes to plug spending gaps. This is unlikely to change as oil import dependency continues to diminish.

Other policies such as corporate average fuel economy (CAFÉ) standards, biofuel mandates and electric vehicle subsidies, to name a few, were at least partly driven by import dependence concerns. Political support for these kinds of programmes could weaken as well.

As a net oil exporter, the US would also have a broader cushion to soften the impacts of a domestic supply disruption, for instance from sudden or extreme weather events like those just experienced with Hurricane Harvey (see p7). Exports may be used to feed domestic demand in times of shortages.

*PIRA is a product line of S&P Global Platts Analytics