ConocoPhillips

The Benefits of U.S. Crude Exports

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Helen Currie, PhD
Senior Economist

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Benefits of U.S. Crude Oil Production and Exports

- U.S. exports would lower consumer fuel costs at the pump by $18 billion annually
- U.S. economy could gain $135 billion and about one million jobs at its peak
- Reduce nation's oil import bill by $67 billion annually
- Increase government revenues by $1.3 trillion between 2016-2030
- Strengthen U.S. geopolitical position

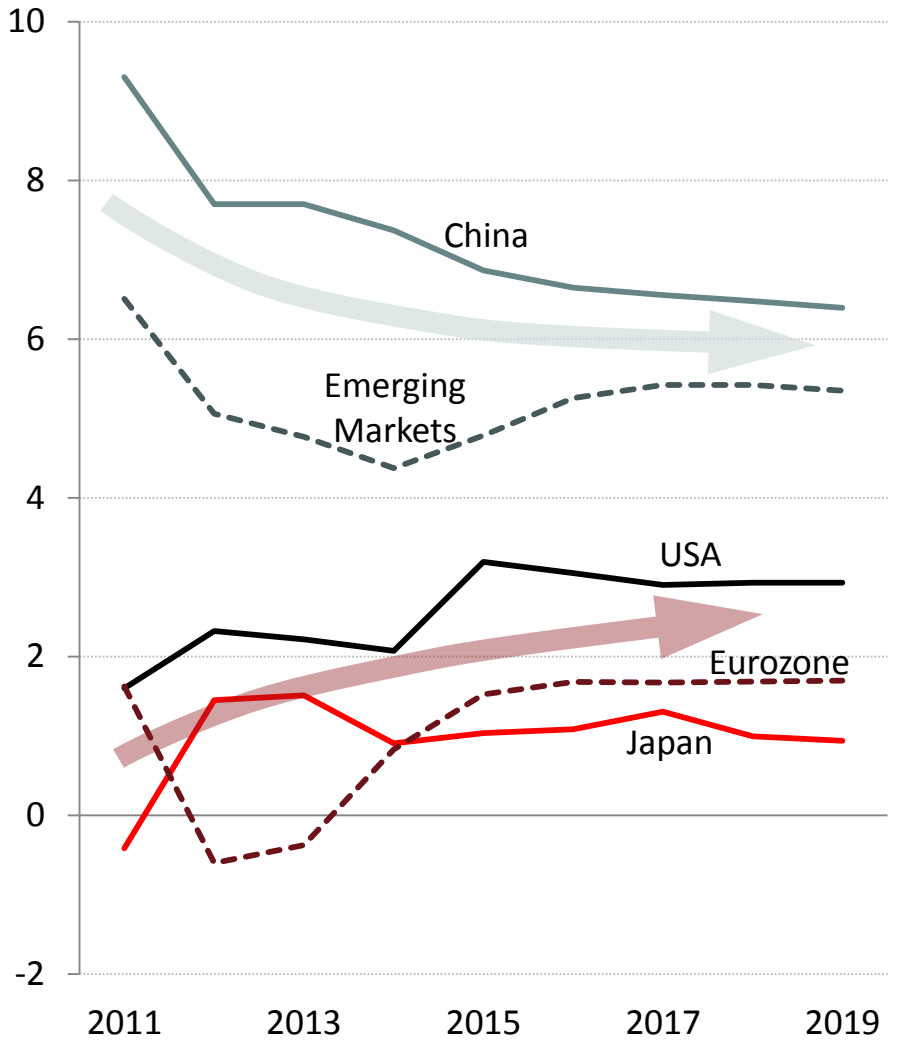
More jobs & economic development would result from continued growth in U.S. oil production

Source: IHS Global Inc., "U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy," May 29, 2014

Global Economic Growth

- Economic recoveries remain in 3-speed mode
  - U.S. increasingly solid
  - Europe and Japan stagnation is new normal
  - China and other EM expanding albeit some at slower rates
- Downside risks outnumber upside, but more cyclical than structural
- International policy coordination will significantly impact outcomes

Economic growth: moving to sustainable trajectories
(% growth, real GDP, PPP)

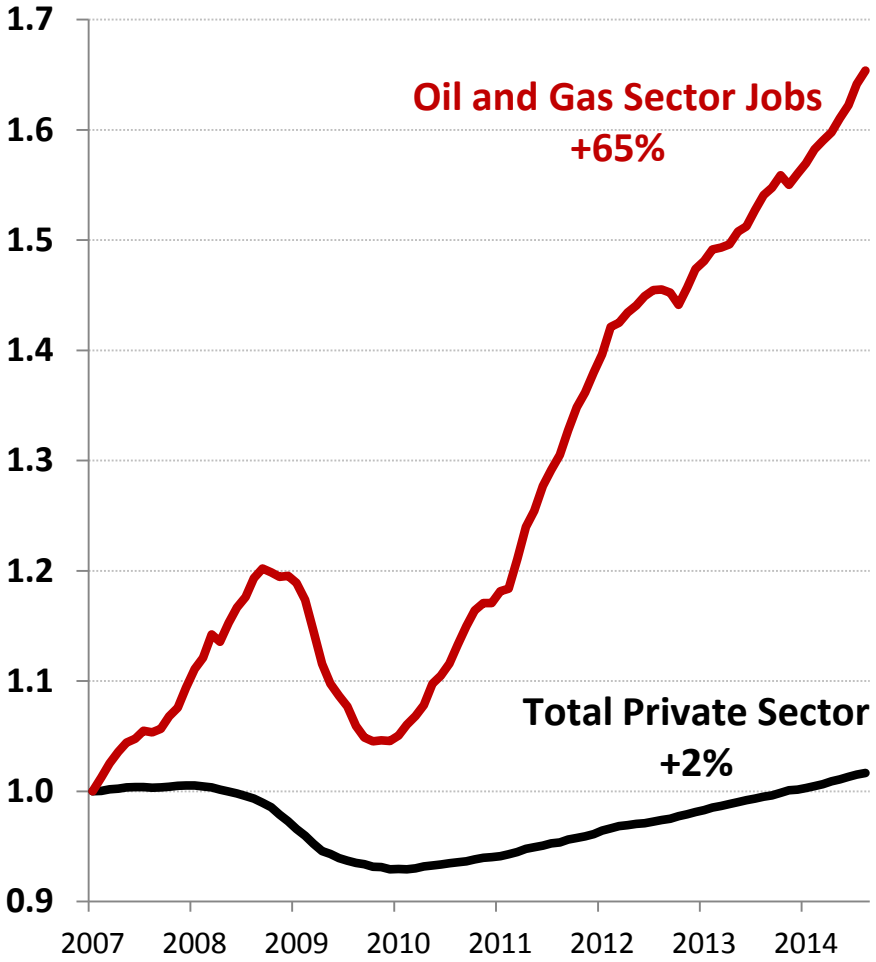


Source: Oxford Economics

The Oil & Gas Industry Has Spurred Broader U.S. Economy

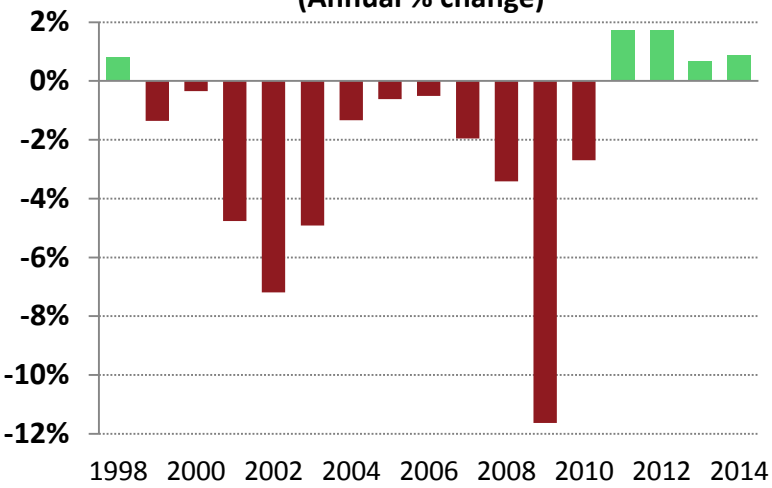
Oil and Gas Sector Expanded While Other Sectors Lagged

Index of Job Growth: Jan. 2007 = 1.0

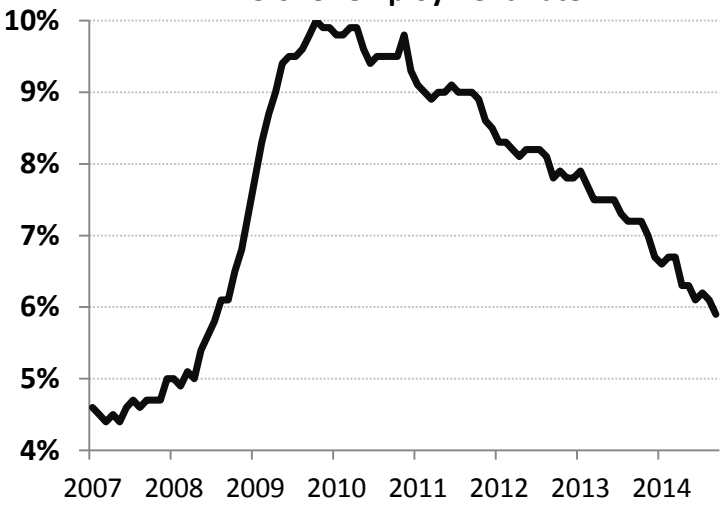


Manufacturing employment reversed a 12-year decline

(Annual % change)



U.S. Unemployment Rate



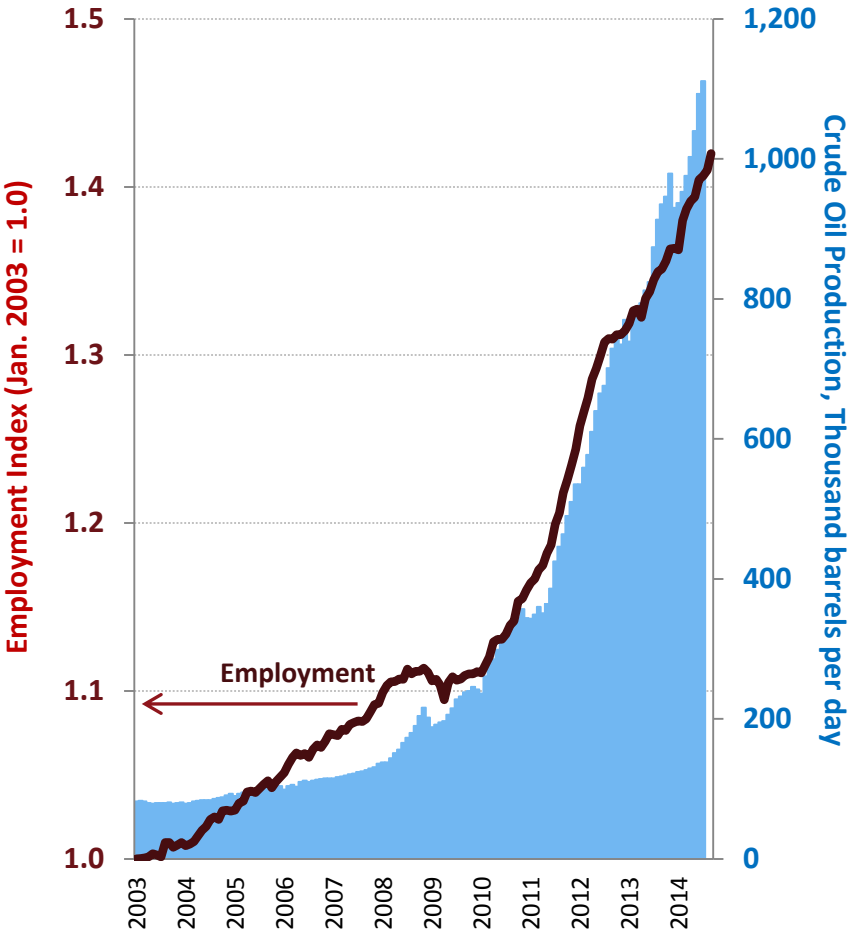
Energy production prevented U.S. downturn from being worse, and spurred recovery

Source: U.S. Bureau of Labor Statistics (Total Private Sector Jobs, NAICS 211000 and 213112).

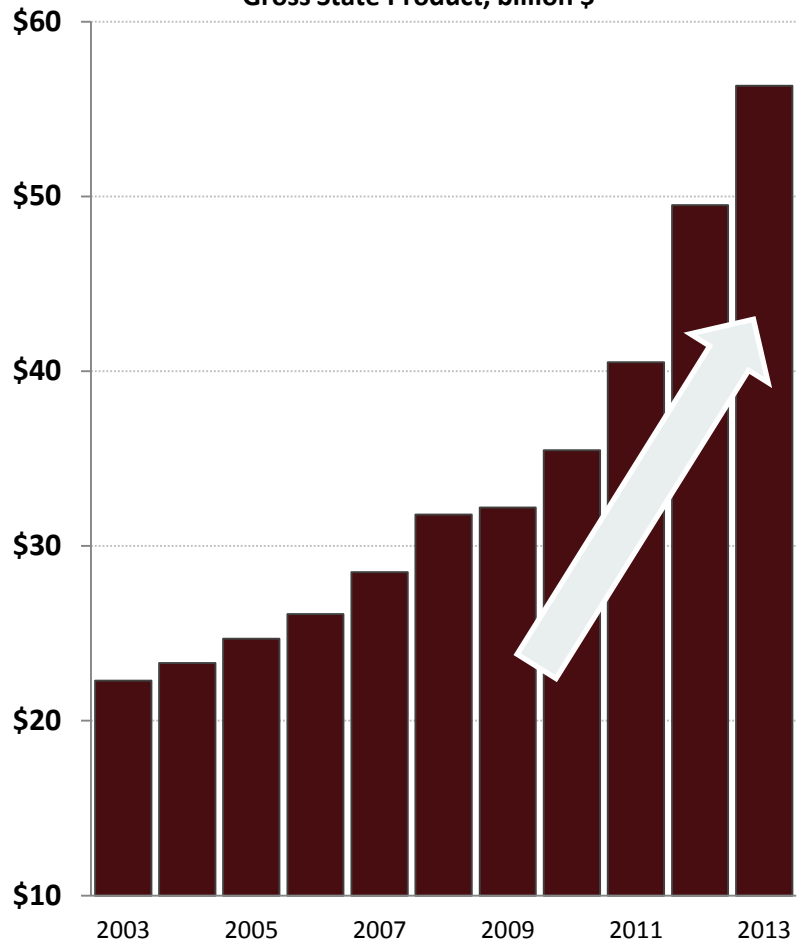
Source: U.S. Bureau of Labor Statistics.

The State of North Dakota Has Seen Substantial Economic Growth

State of North Dakota Employment Up Over 40% as Bakken Developed



The State Economy More than Doubled in a Decade

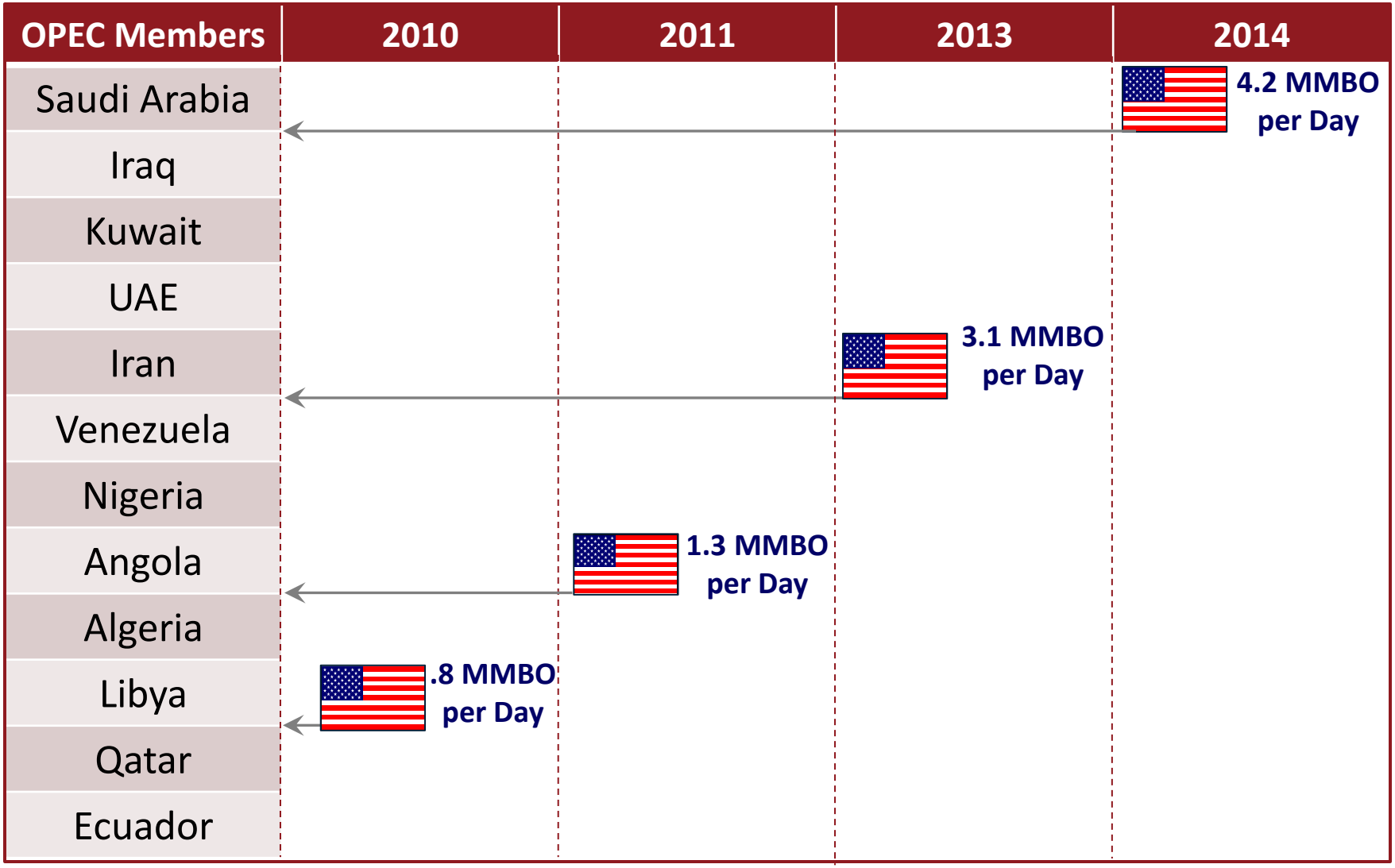


State employment and income growth correlate to oil production

Source: U.S. Bureau of Labor Statistics.

Source: U.S. Bureau of Economic Analysis

U.S. Tight Oil: The Biggest Driver Behind the Oil Renaissance



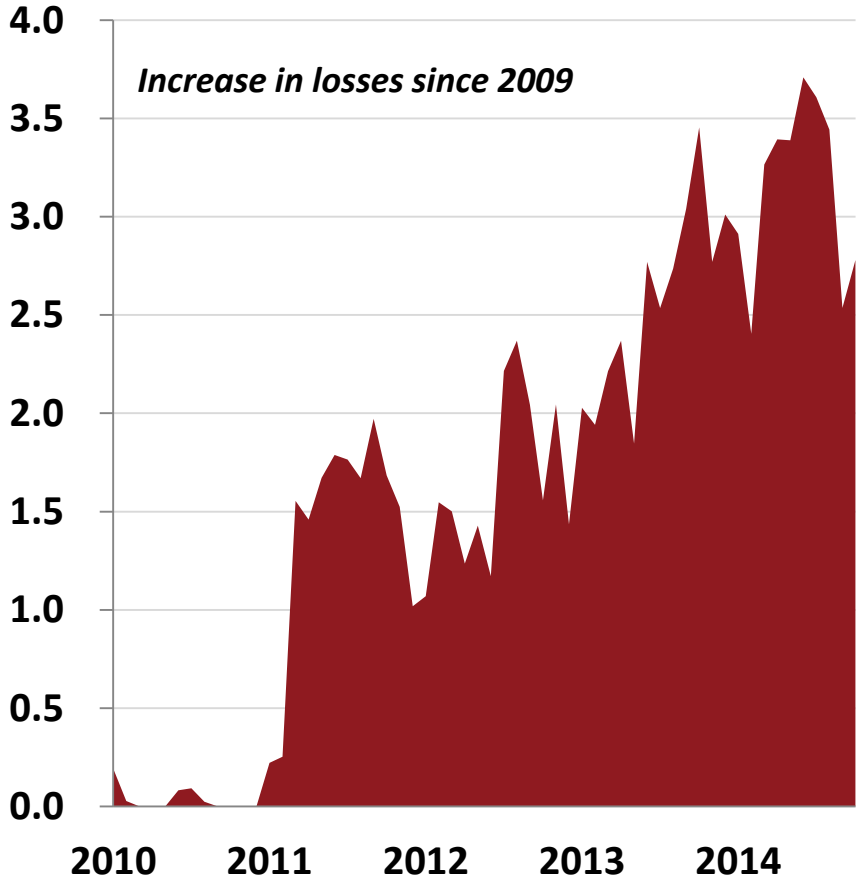
U.S. tight oil production alone is larger than production in most OPEC nations

OPEC Production ranked from highest (Saudi Arabia) to lowest per 2013 IEA reported production volumes. OPEC Neutral Zone production split between Saudi Arabia and Kuwait.

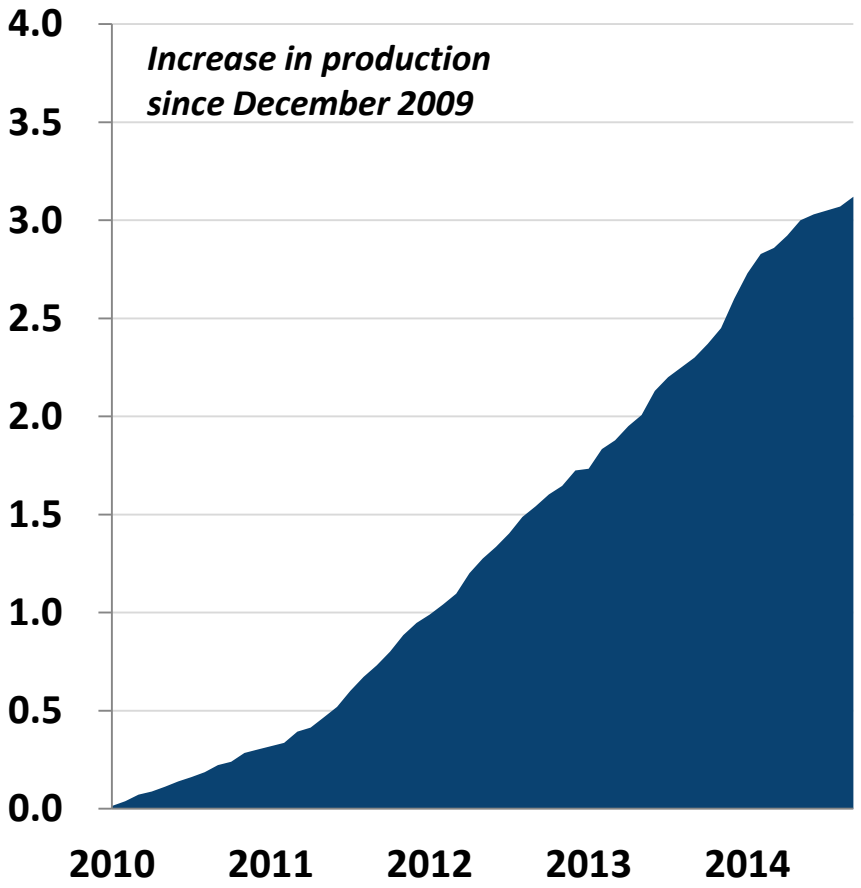
Sources: IEA for OPEC production; EIA Annual Energy Outlook and Rystad Energy for U.S. Tight Oil. NOTE: Tight oil production includes liquids from tight natural gas plays.

Global Crude Supply Disruptions vs. U.S. Tight Oil Growth

Growth in Global Supply Disruptions (MMBD)



Growth in U.S. Tight Oil Production (MMBD)

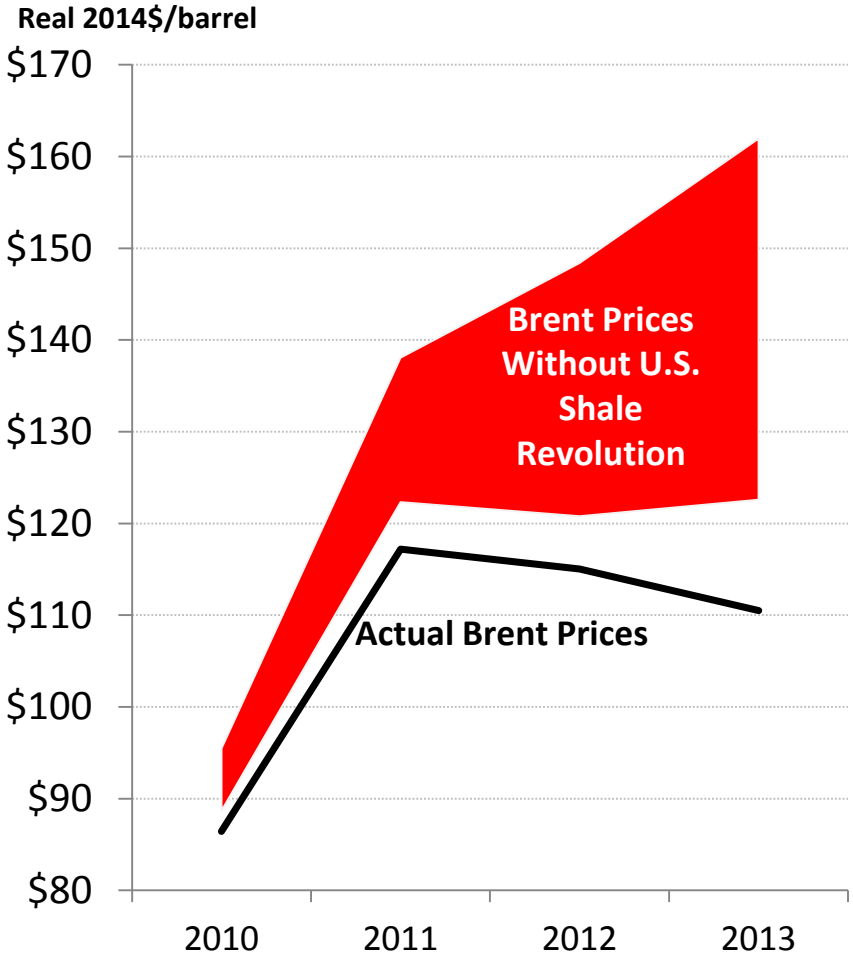


U.S. tight oil production growth has offset most of the global supply disruptions

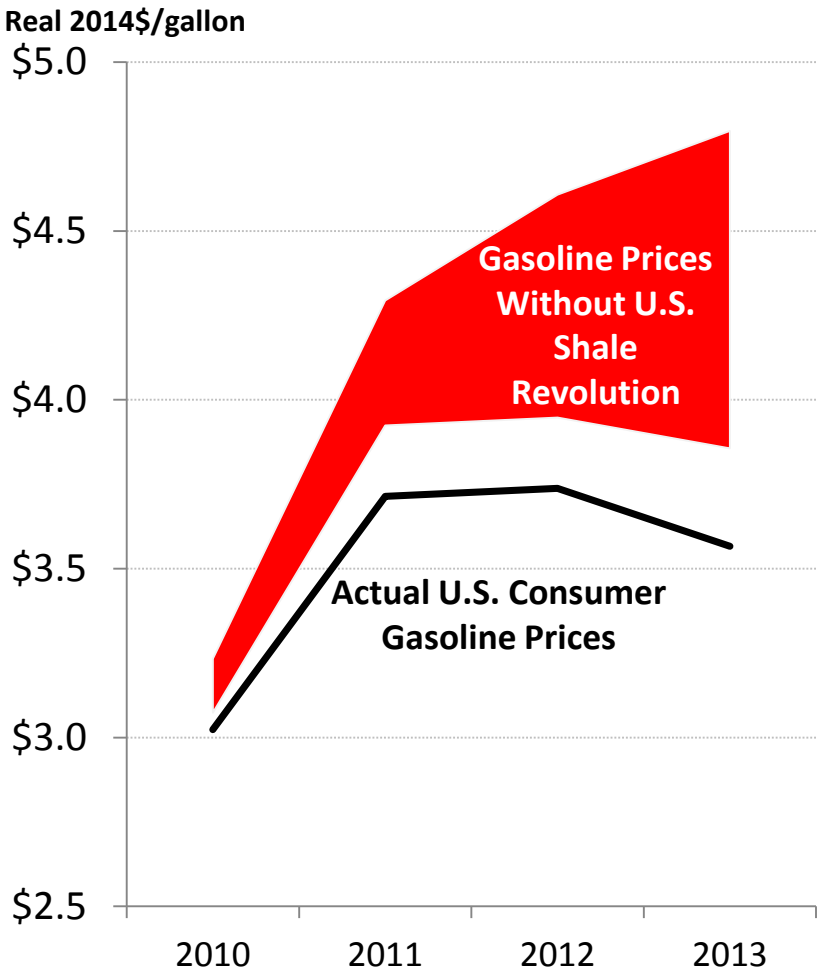
Source: PIRA Energy Group; oil is crude only, excludes NGLs and condensates.

U.S. Production Prevented Higher Prices in Recent Years

Brent Crude Oil Prices Would Have Been $12 to $40 per Barrel Higher in 2013

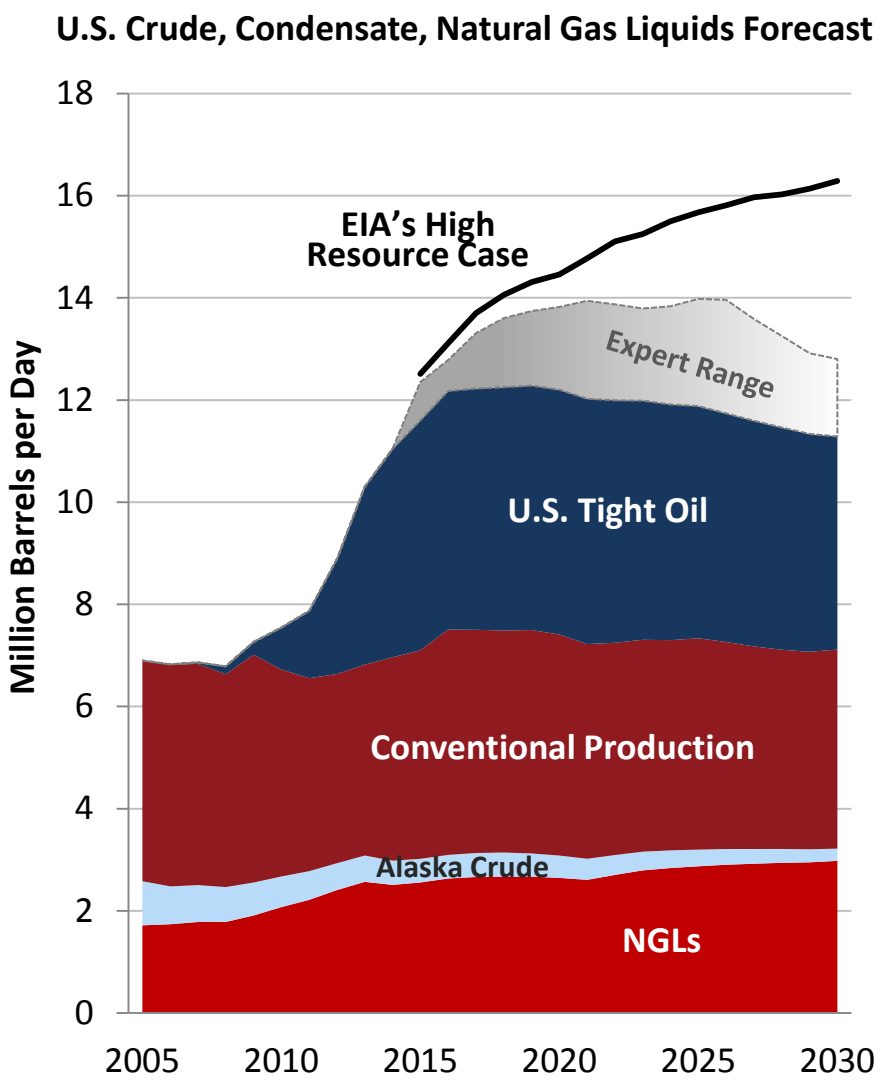


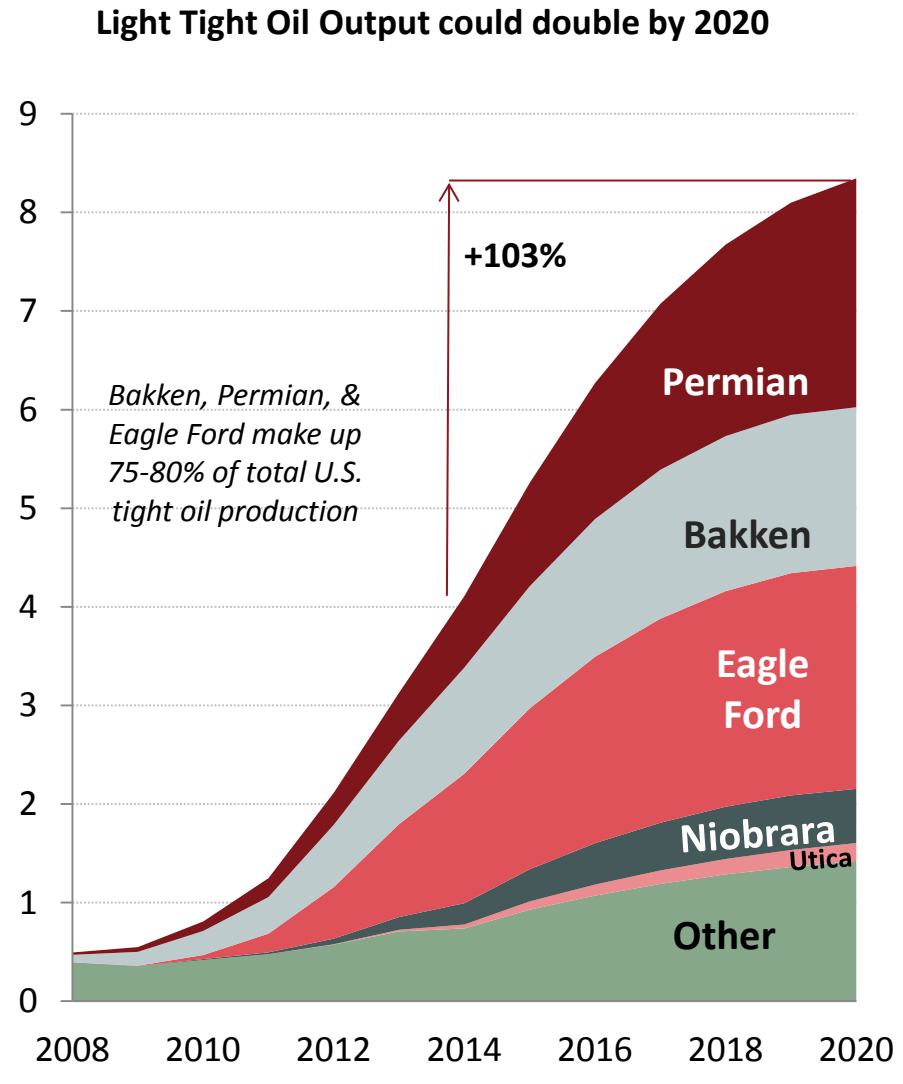
U.S. Consumer Gasoline Prices Would Have Been $0.30 to $0.94 per Gallon Higher in 2013



Source: ICF International for American Petroleum Institute, October 30, 2014.

U.S. Oil Production is Set to Expand



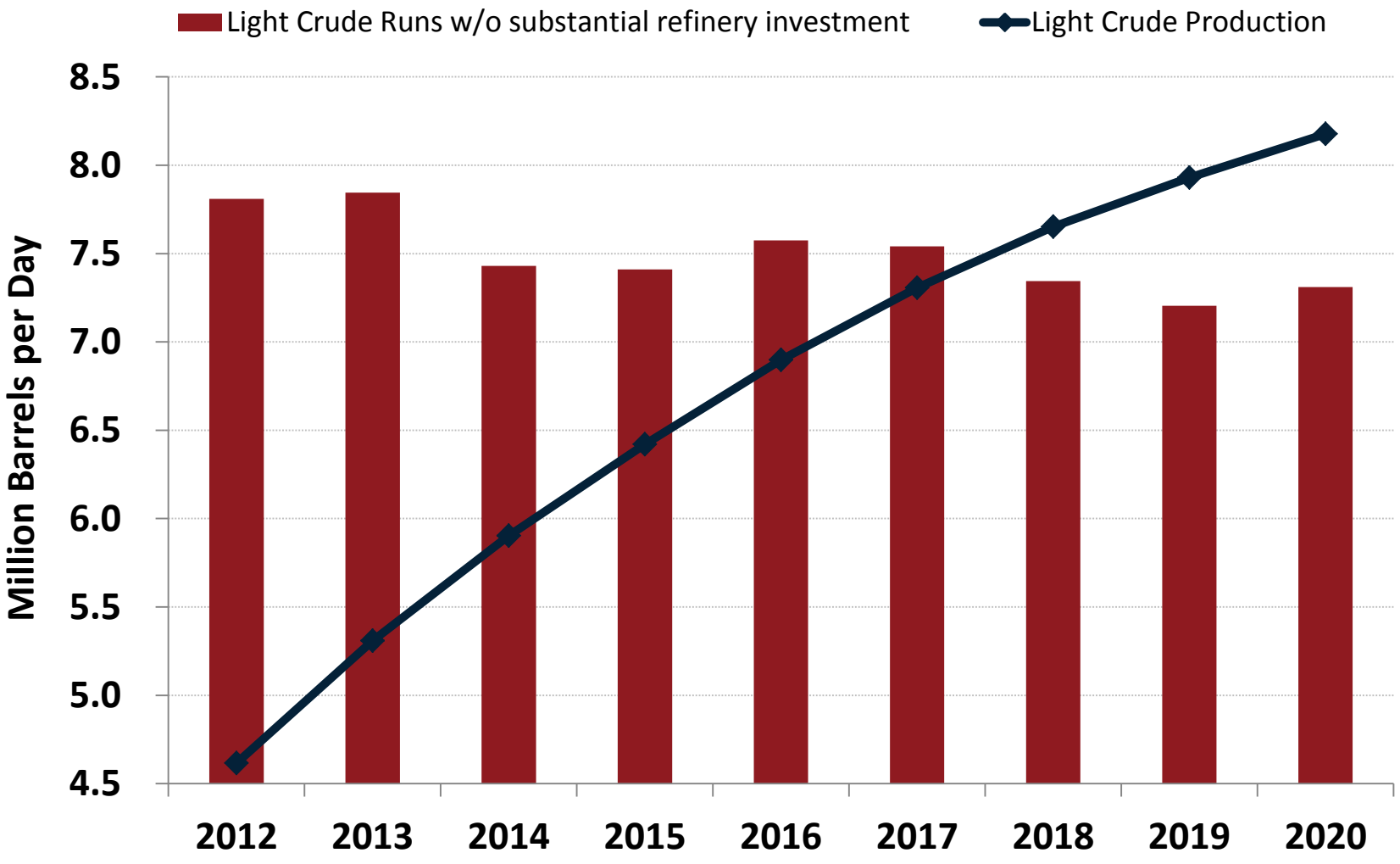


Liquids production has returned to levels not seen since 1972

Source: EIA Annual Energy Outlook 2014, Various forecasts

Source: Rystad Energy Upstream Database

U.S. Light Crude Oil Production vs. Light Refinery Runs

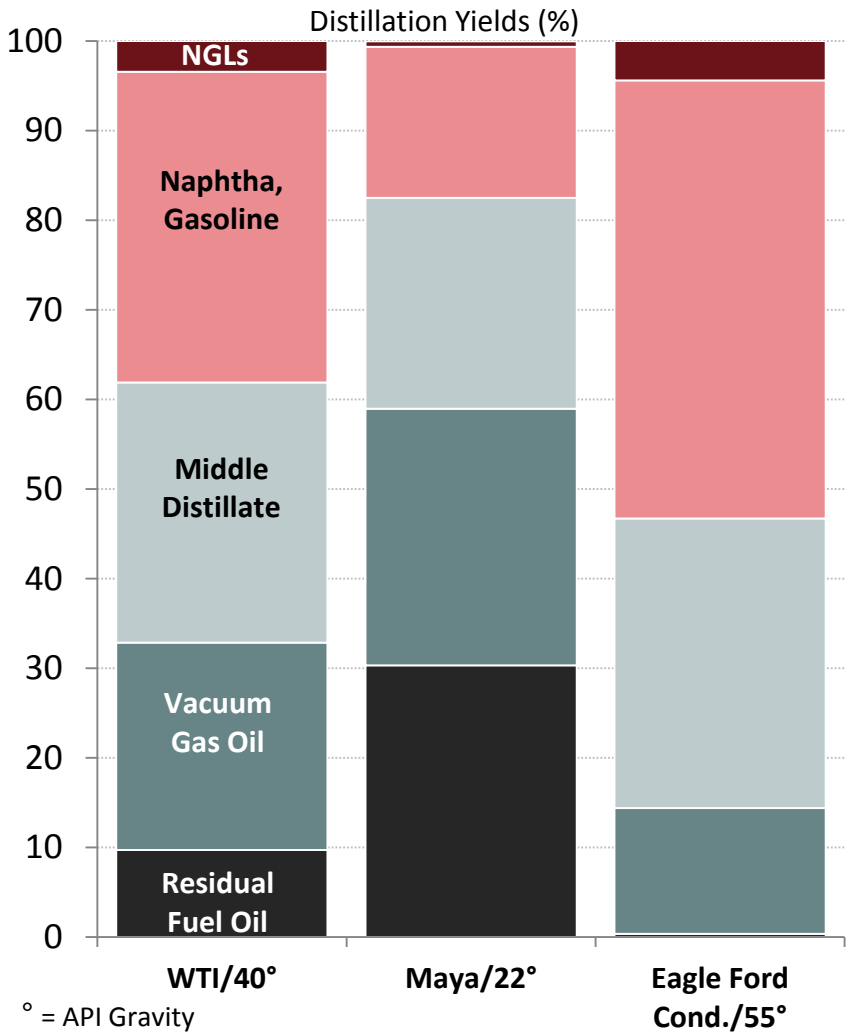


Light crude production will eventually exceed refiner ability to process it without substantial refining investments or crude exports

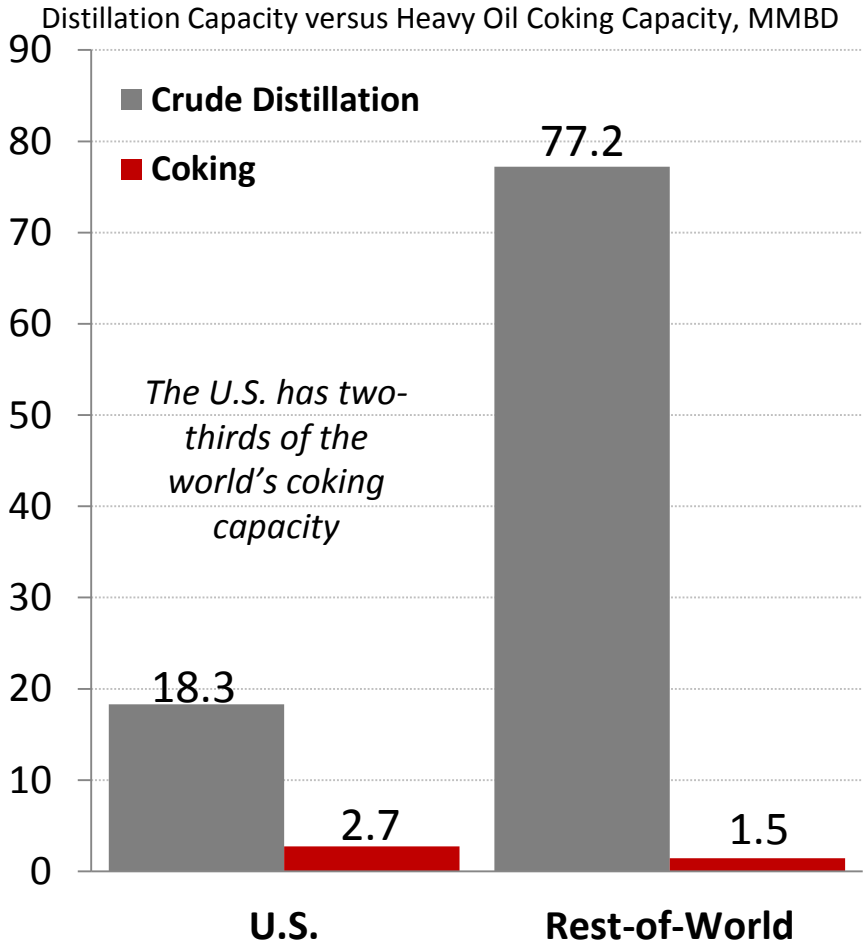
Source: Turner, Mason and Co., November, 2013, higher production case

Tight Oil Quality vs U.S. Refining Configuration: the "Mis-Match"

Product yields differ significantly



Blending U.S. tight oil into larger world pool is a more efficient allocation

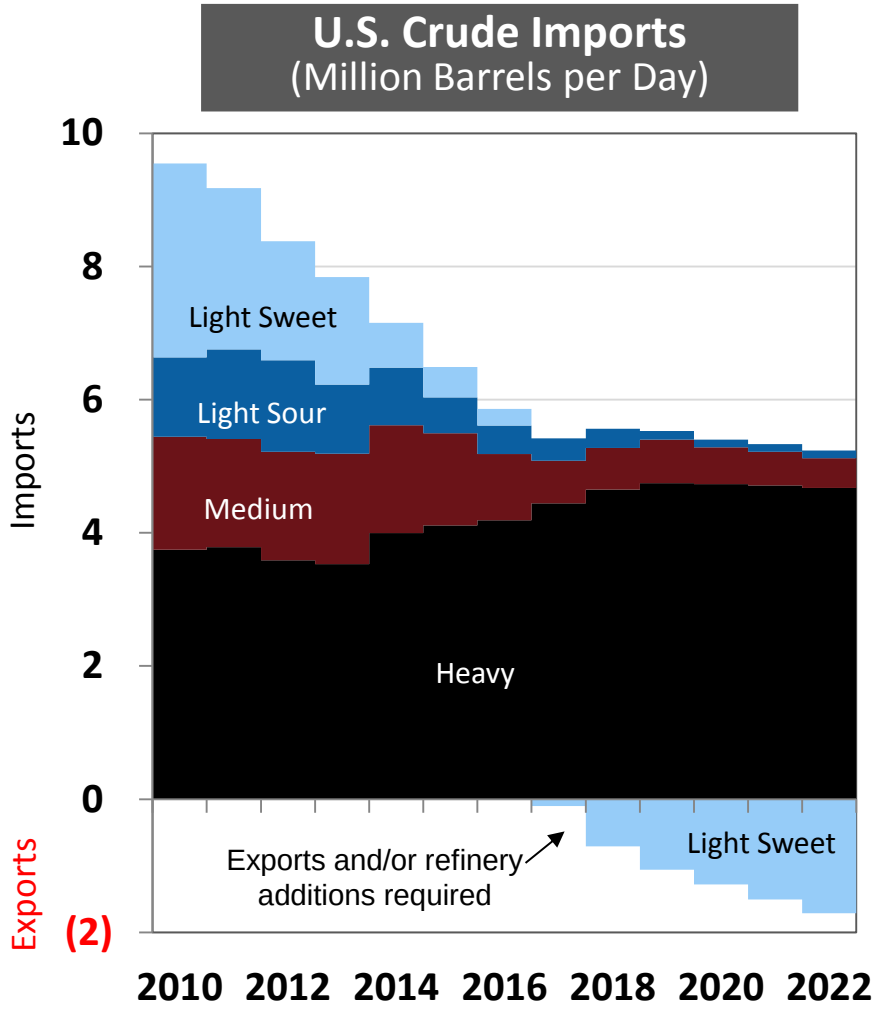


Exporting U.S. LTO enables a more optimal global allocation of crude oils among refiners

Source: Haverly Systems

Source: Bloomberg

U.S. Light Crude Oil Imports Have Dwindled



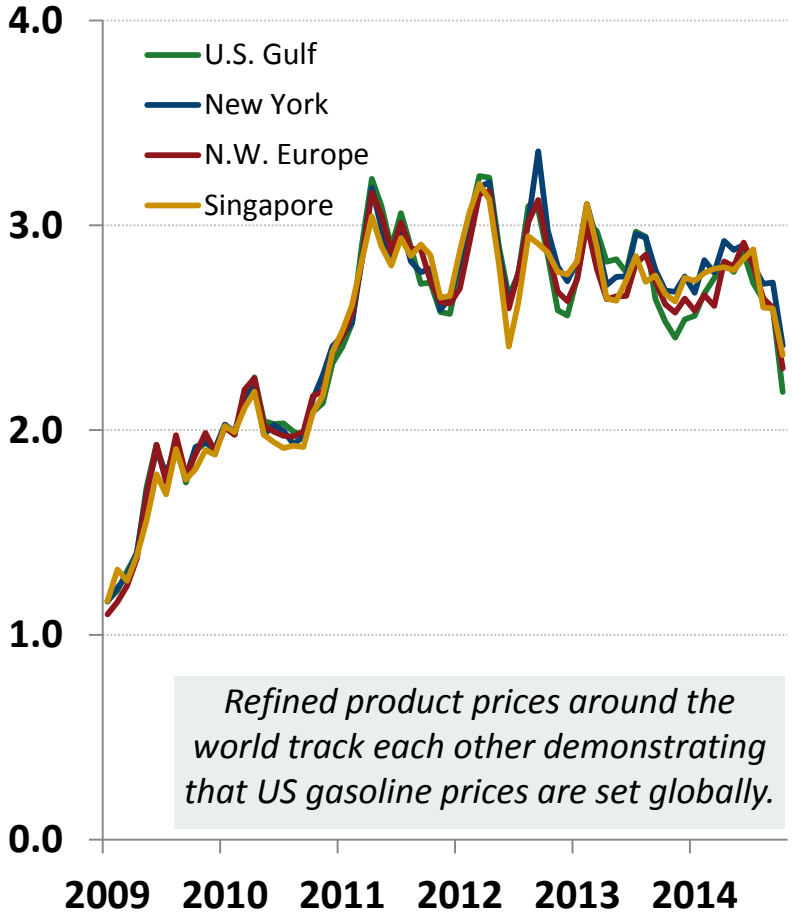
- Declining light, sweet crude imports, with year round exports needed by 2017
  - Condensates and super light crudes are already in surplus
  - Seasonal exports needed before then during U.S. refinery turnarounds / outages
- Eventual reductions in light, sour and medium crude imports
- U.S. likely to maintain heavy crude imports that better matches domestic refinery configuration

Light, sweet crudes are already in surplus seasonally

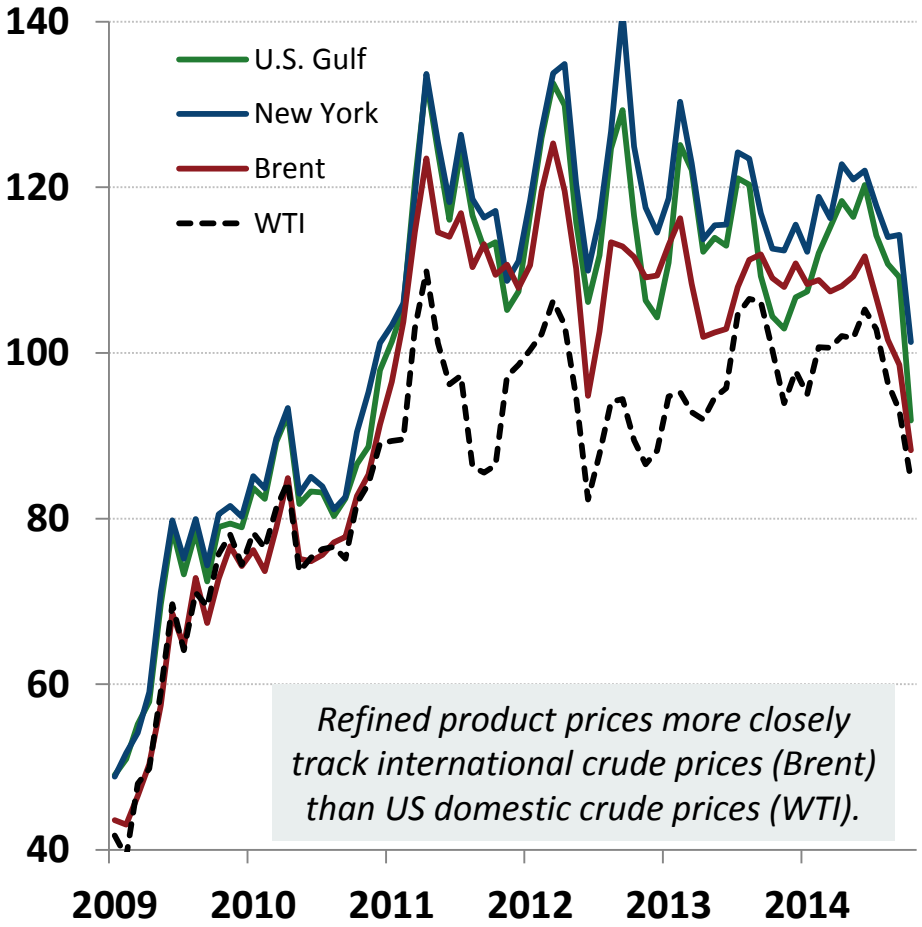
Source: U.S. Department of Energy, EIA; Turner, Mason & Co.

Gasoline Prices Are Set Globally by International Crude Prices

Spot Gasoline Prices ($/Gallon)



U.S. Gasoline Prices vs. International & Domestic Crude Prices ($/BBL)



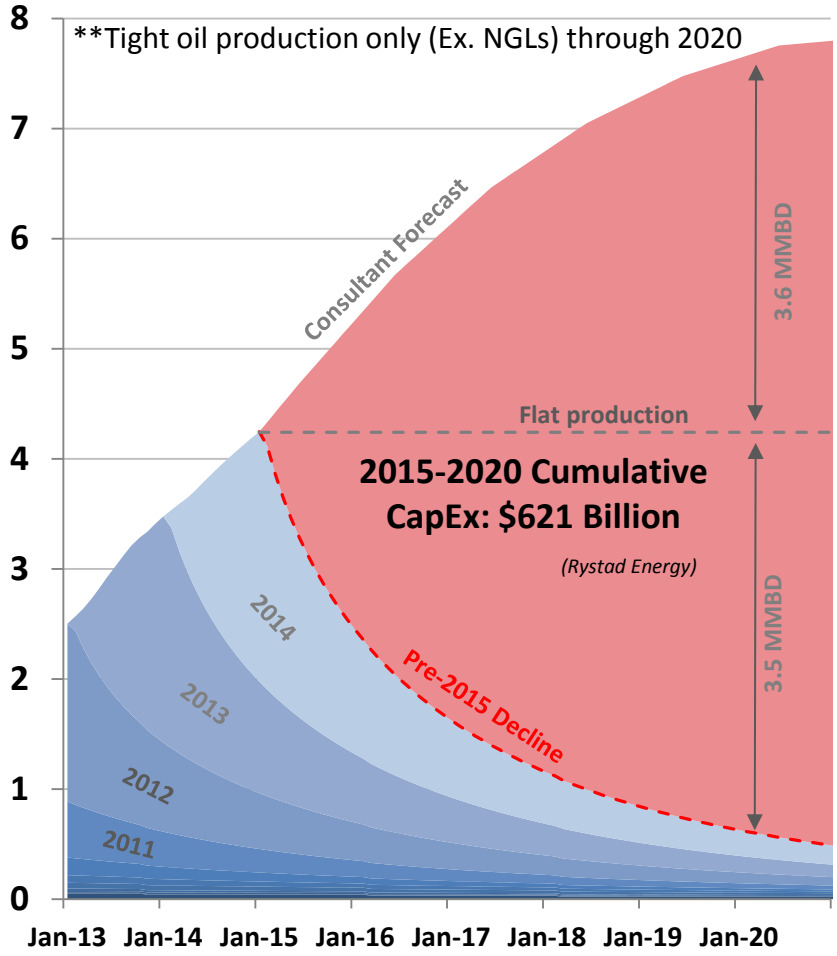
U.S. crude exports should lower U.S. gasoline prices

Source: Bloomberg

Inability to Export Crude Will Lower U.S. Oil Production

- Domestic crude price discounts would reduce investment in new production
  - Some wells and plays become uneconomic
  - Reduced cash flow to invest
- Without crude exports, U.S. crude production would be ~1.5-3.0 MMBD lower in 2020*

U.S. Tight Oil Production**
(Million Barrels per Day)



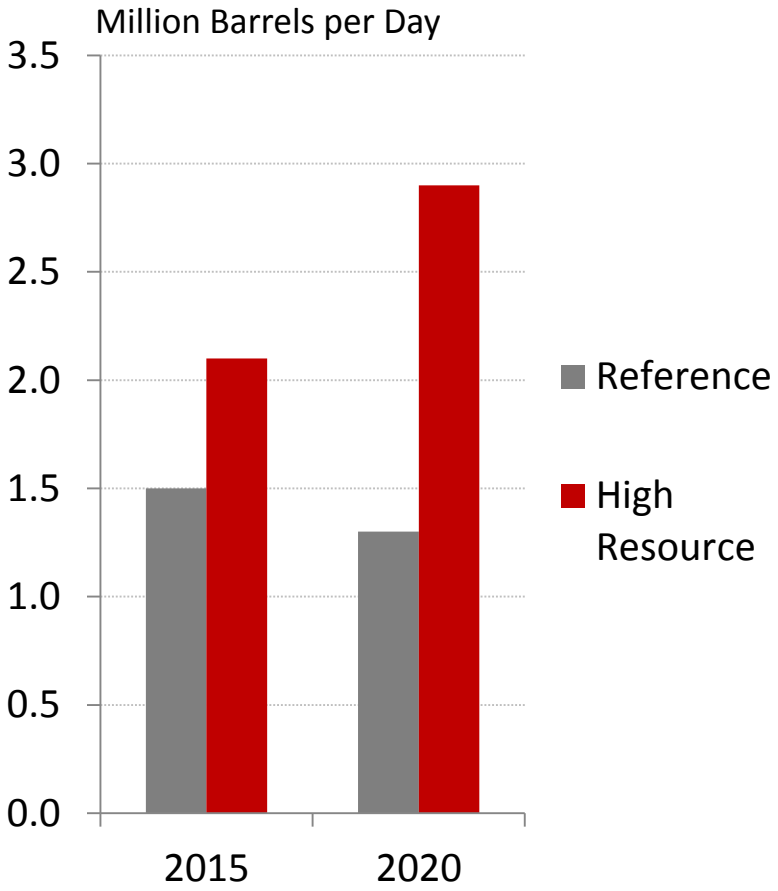
Substantial investment needed to grow tight oil production

Source: ConocoPhillips, for decline rates, Rystad for forecast and cumulative CapEx (October 2014)
*Brookings Institution, "Changing Markets: Economic Opportunities from Lifting the U.S. Ban on Crude Oil Exports," September, 2014

Ability to Export Crude Would Increase U.S. Oil Production

- Lifting the ban on crude exports would increase U.S. production by 1.5 to 3.0 MMBD by 2020
  - 10-20% increase
- Removing domestic crude price discounts caused by the ban would increase investment in new production
  - More wells and plays would become economic
  - Increased cash flow to invest

Incremental U.S. Crude Production from Lifting Export Ban in 2015



Increased production would have significant economic benefits to the U.S.

Source: NERA prepared for Brookings Institution, "Economic Benefits of Lifting the Crude Oil Export Ban," Sept. 9, 2014.

Summary

- New abundance of light, low sulfur tight oil production in the U.S.
- Offers tremendous economic and security benefits to the country
- Mismatch with U.S. refinery configuration presents a challenge
- Threatens to stunt tight oil development and its benefits to the U.S.
- U.S. crude exports provides a solution