

commodity focus

US oil export – on the verge of a comeback?

In the 1950s, the US was a significant exporter of crude oil. Four decades ago, however, the US decided to impose a ban on the export of domestic oil – a watershed moment for the oil industry. With the US production boom and the lifting of the export ban at the end of 2015, the oil market is in search of a new equilibrium.

The US ban on the export of crude oil dates back to the early 1970s and the presidency of Richard Nixon. As a result of the Yom Kippur conflict between Arab states and Israel, the Organization of the Petroleum Exporting Countries (OPEC) cut back production rates sharply. This was an attempt on the part of OPEC to put the West under pressure in view of the latter's pro-Israeli stance. The oil price duly quadrupled as a result. As the largest consumer of crude oil, the US was particularly affected by the oil crisis, and it quickly focused on this major threat to national security. Fearing shortages, the US Congress resolved that domestically produced oil should remain within the US in the future. Cue the entry into force of the «Energy Policy and Conservation Act».

Shale oil boom fuels desire to sell

The ban on oil exports was irrelevant for years. Not least because US oil production volumes continued to decline. The domestic oil industry's output of 9 million barrels a day in the 1980s was subsequently halved. Only the shale oil boom put an end to this downward trajectory. And in parallel with this production boom, the desire of the US oil industry to sell its accumulated production surpluses on the global market has inevitably risen. This launched the political debate – and in the end change came more quickly than expected. The lifting of the export ban at the end of 2015 opened up new sales channels for the US energy sector. Since then, we have seen an increase in both trading volumes and the number of importing countries. In the first half of 2017, US crude was being sold to 27 countries, as compared with 19 a year earlier. This is reflected in the statistics, with September seeing US exports reach a record 2 million barrels per day.

Will US shale oil continue to grow?

The United States is not yet in the same league as the biggest exporters of oil, where the leading players are Saudi Arabia and Russia. The US production boom has nevertheless brought some movement into the oil market. On the one hand, imports of crude oil into the US – the world's biggest energy consumer – have now decreased, putting the traditional producer countries under greater competitive pressure. In addition, the past few years have shown that the US shale oil industry responds to changes in prices faster than the traditional producers. New oil rigs are commissioned in the shale oil areas within a few months of price movements on the oil market. When prices rise, it becomes more lucrative for producers to pump more oil. At current price levels, the global importance of the US energy market will continue to grow.

Figure 1: US oil exports rising

US production and export of crude oil (in millions of barrels per day)

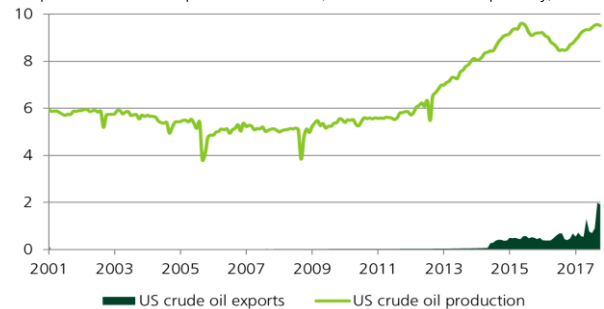


Figure 2: The largest production regions for US oil shale

in millions of barrels per day

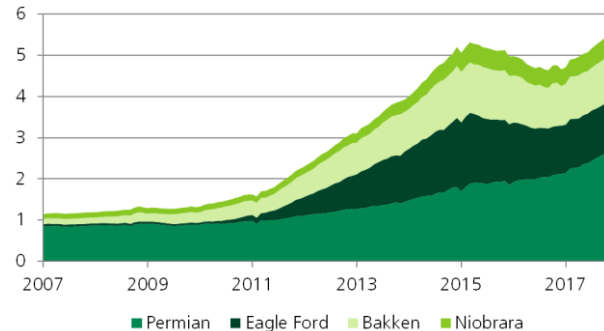


Figure 3: Price trend for West Texas Intermediate (WTI)

in USD per barrel



Historical performance

	current	YTD**	2016	2015	2014
WTI	54,9	+2.4%	+46.1%	-31.0%	-45.9%

Source: Bloomberg

**Year to date 2017 in USD per barrel

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