# A Petroleum Export Ban, or Jerry Seinfeld's Advice to George: Since Everything You've Done Has Turned Out Wrong, Do the Opposite (W.H. Are You Listening?)

The Administration's stubborn reluctance to let go of a ban on oil product exports could send the global markets into an immediate, severe recession and anger our allies in the process. It would also lead to lower, not higher, U.S. refinery runs, lowering product inventories here.

Let's see how this might play itself out. Less than 40% of the 6.3MMB/D of gross product exports are in the form of gasoline, diesel, and jet fuel. Global inventories around the world are tight, refining margins have been running strong relative to crude oil prices and product markets are severely backwardated, a clear sign of a tight prompt market. We also know that outside China, global refining is very tight. If we were to stop exporting, we would create a bidding war since supply couldn't possibly respond to the size of the loss in U.S. exports. Price would have to rise to a level that would bring **demand down to available supply**.

Oil is a necessity; its demand is price **inelastic**. A large price change is required to bring about a small change in demand. Back home, products would build at the Gulf Coast. That's exactly what the Administration wants. However, after a brief period refining margins at the Gulf Coast would collapse forcing refiners to **cut runs**.

The same logic that says "don't ban LNG exports" should apply here. Why isn't it? This won't get you through the Midterms and won't lower gasoline prices here. The West Coast and Midwest are currently tight because of refining outages. The only market structurally tight is the Northeast. **We should temporarily grant a waiver of the Jones**

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**Act just like the President did for Puerto Rico**. This would give the Northeast terminals a better chance of directing some of the Gulf Coast supply to the Northeast.

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