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Interview - Part III

with

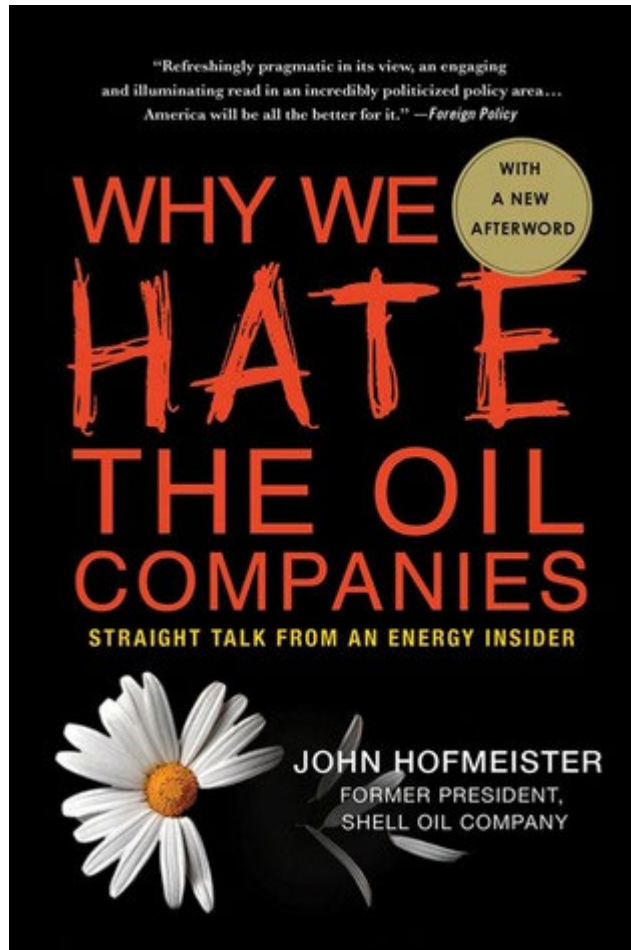
John Hofmeister

**Former President
Shell Oil Company**

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ENERGY INDEPENDENCE? KEEP ON DREAMING



Photo Credit: CNN

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ENERGY INDEPENDENCE:

“Where a country, like the United States, is completely independent of any other source of energy.”



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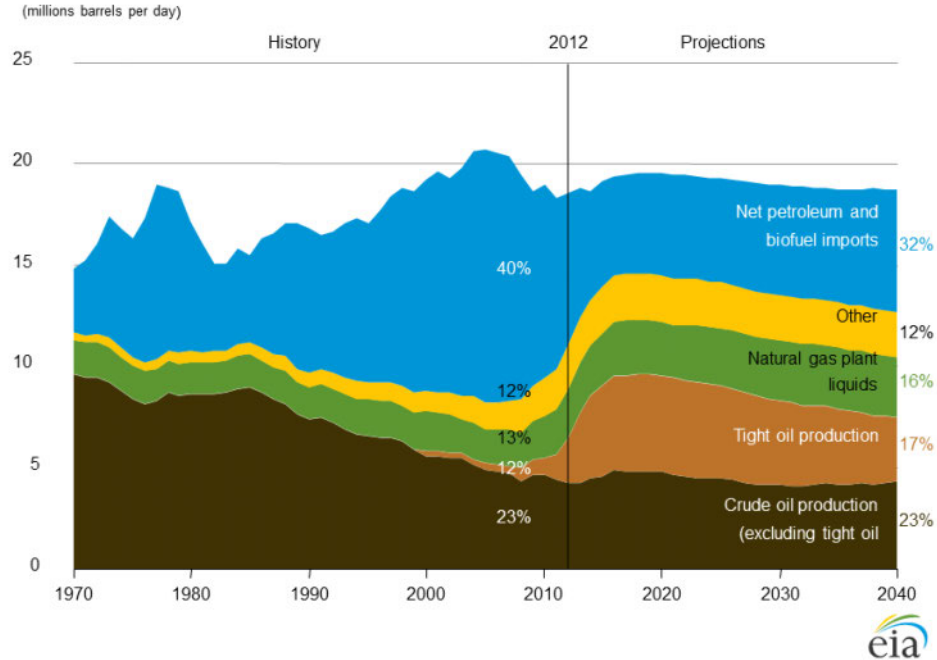
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“Simply not enough to meet the need of the U.S. economy.”

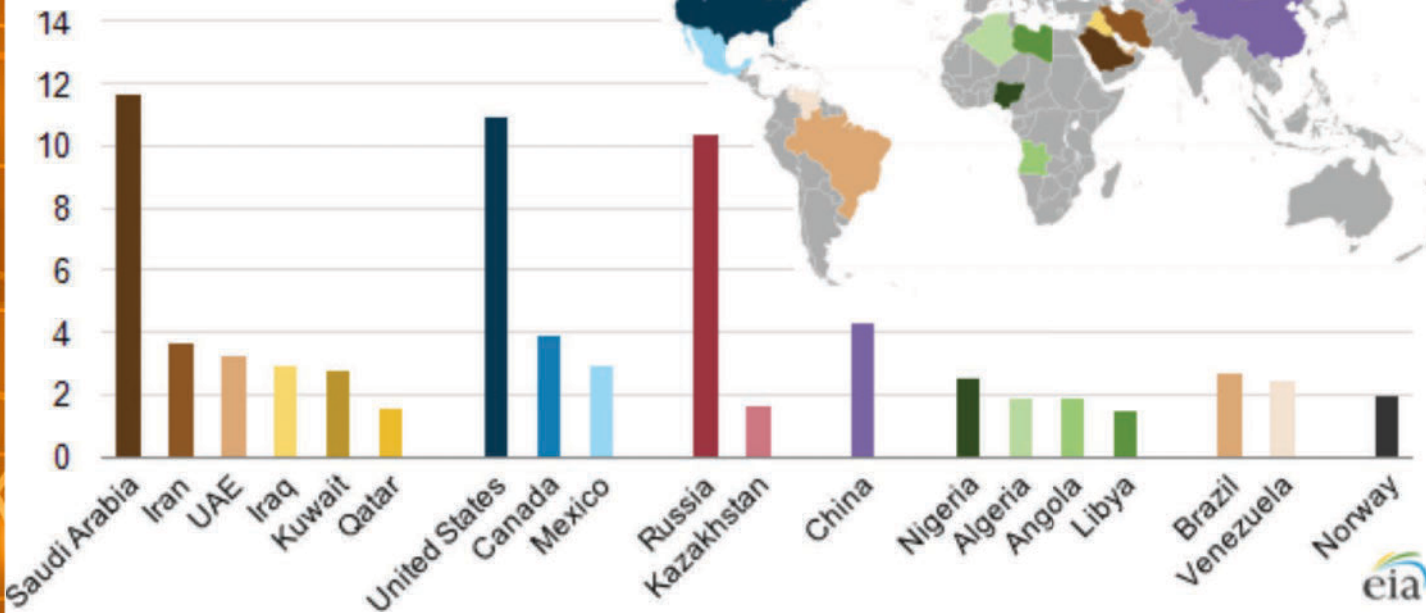
Figure 1. U.S. petroleum and other liquid fuels supply by source, 1970-2040



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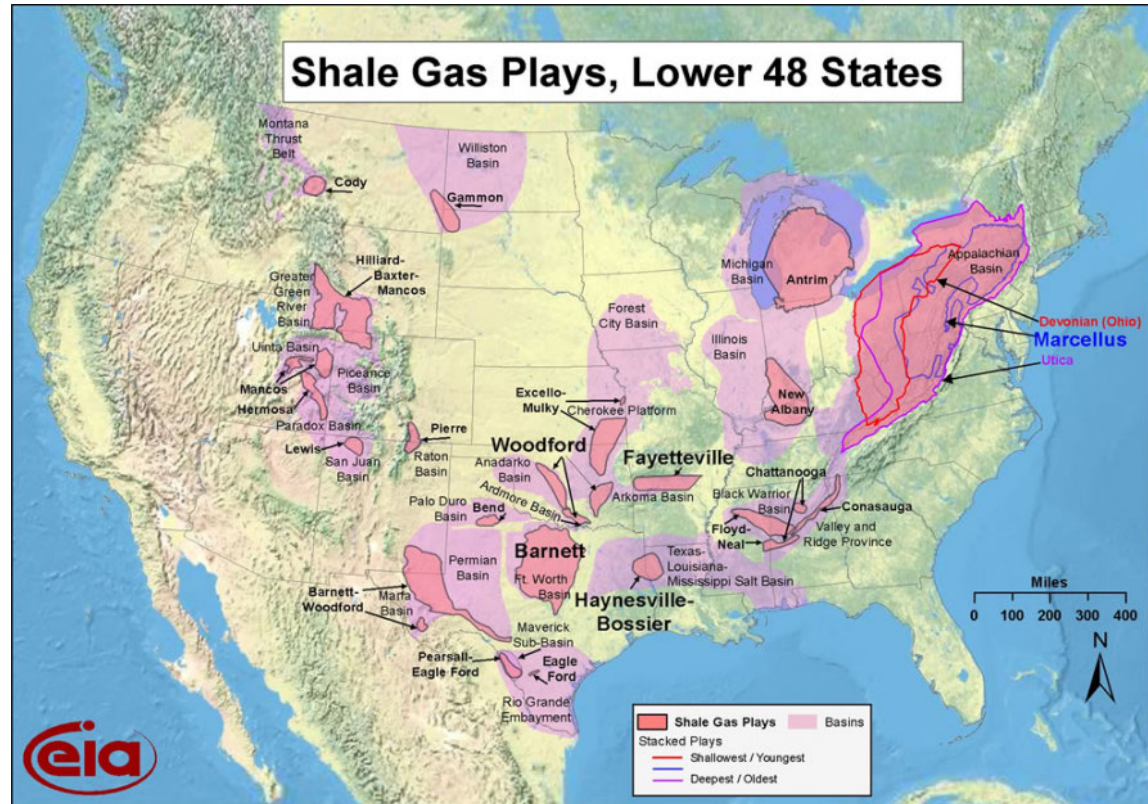
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Total liquids production
million barrels per day



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“If we took a different approach to energy... maybe we could.”



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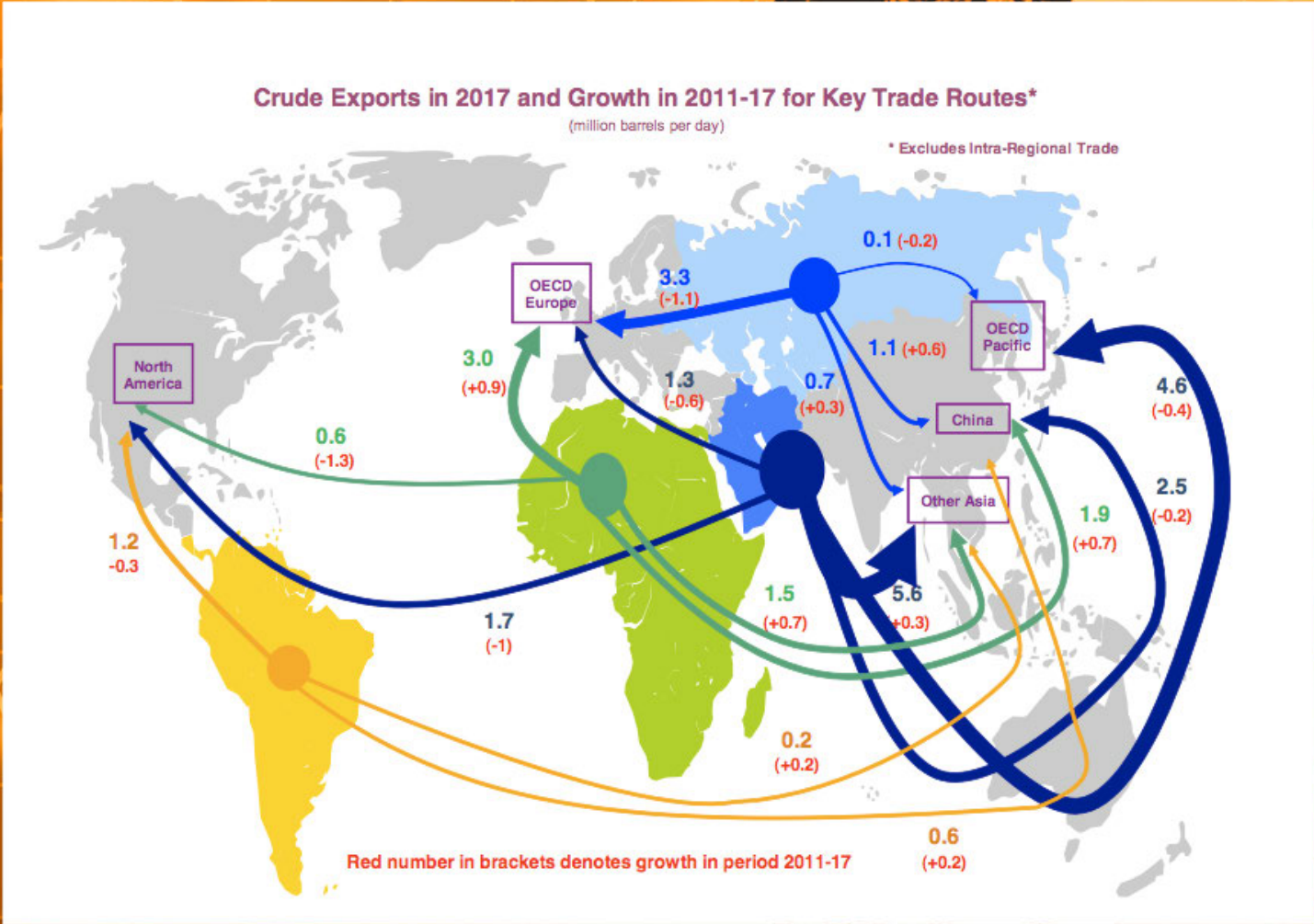
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“Trade goes both ways. We should be able to export as well as import.”

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Oil & Gas 360

The screenshot displays the Oil & Gas 360 website interface. At the top, there is a navigation bar with links for 'EnerCom Consulting', 'The Oil & Gas Conference', 'The Oil & Services Conference', 'About 360', 'Sponsors', and 'Contact 360'. Social media icons for Facebook, Twitter, RSS, YouTube, and LinkedIn are also present. The main header features the 'Oil & Gas 360' logo, the 'HEIN' logo, and the text 'CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS' next to a 3D cube graphic. Below the header is a secondary navigation bar with links for 'Home', '360 Articles', 'Industry News', 'Press Releases', 'Event Calendar', 'Video', and a search bar. A market data ticker shows prices for Crude Oil, Brent Crude, Natural Gas, S&P 500, and PHILX Oil. The main content area features an article titled 'Benefits to lifting the U.S. Crude Export Ban' with a sub-headline 'U.S. refiners using most domestic oil in 29 years'. To the right, there is a '360 Articles by Category' section with a grid of category buttons. Below that is a 'Recent 360 Articles' section.

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Crude Oil 50.90 ▼ -3.08 (-5.71%) | Brent Crude 56.32 ▼ -2.78 (-4.70%) | Natural Gas 2.623 ▼ -0.057 (-2.13%) | S&P 500 2080.62 ▲ 13.66 (0.66%) | PHILX Oil 202.375859 ▲ 0.467542 (0.23%)

Benefits to lifting the U.S. Crude Export Ban

in 360 Articles / Downstream by - Oil & Gas 360 - April 7, 2015

U.S. refiners using most domestic oil in 29 years

Refineries in the United States are relying on domestically produced crude oil now more than any other time since 1986. Domestic production and imports from Canada and Mexico made up 85% of crude processed at U.S. plants in January, the most since March 1986, reports Bloomberg.

Crude output in the U.S. has surged due to the shale revolution, transforming the country into the world's third-largest crude producer. Rising supplies have helped to cut crude prices by more than half last year with West Texas Intermediate (WTI) falling to \$42/bbl last month from a high last year of \$108/bbl. The U.S. benchmark crude has also averaged a \$6.26 discount to the international benchmark, Brent crude oil.

360 Articles by Category

ANALYSIS	ARCTIC
CANADA	DISCOVERIES
EARNINGS	FINANCE
FRACING	INTERNATIONAL
M & A	MIDSTREAM
MLPS	OFFSHORE
OILFIELD SERVICES	OPEC
POLITICS & UNREST	REGULATORY

Recent 360 Articles

THE TEXAS TRIBUNE

Texas Takes Aim at Crude Oil Export Ban

by Jim Malewitz | March 9, 2015 | 17 Comments

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photo by: Louis Vest

An oil refinery is shown in the Houston Ship Channel in 2011.

With a glut of crude oil filling up pipelines and storage tanks and pushing down U.S. oil prices, Texas lawmakers are calling on Washington to lift its 40-year-old ban on crude exports.

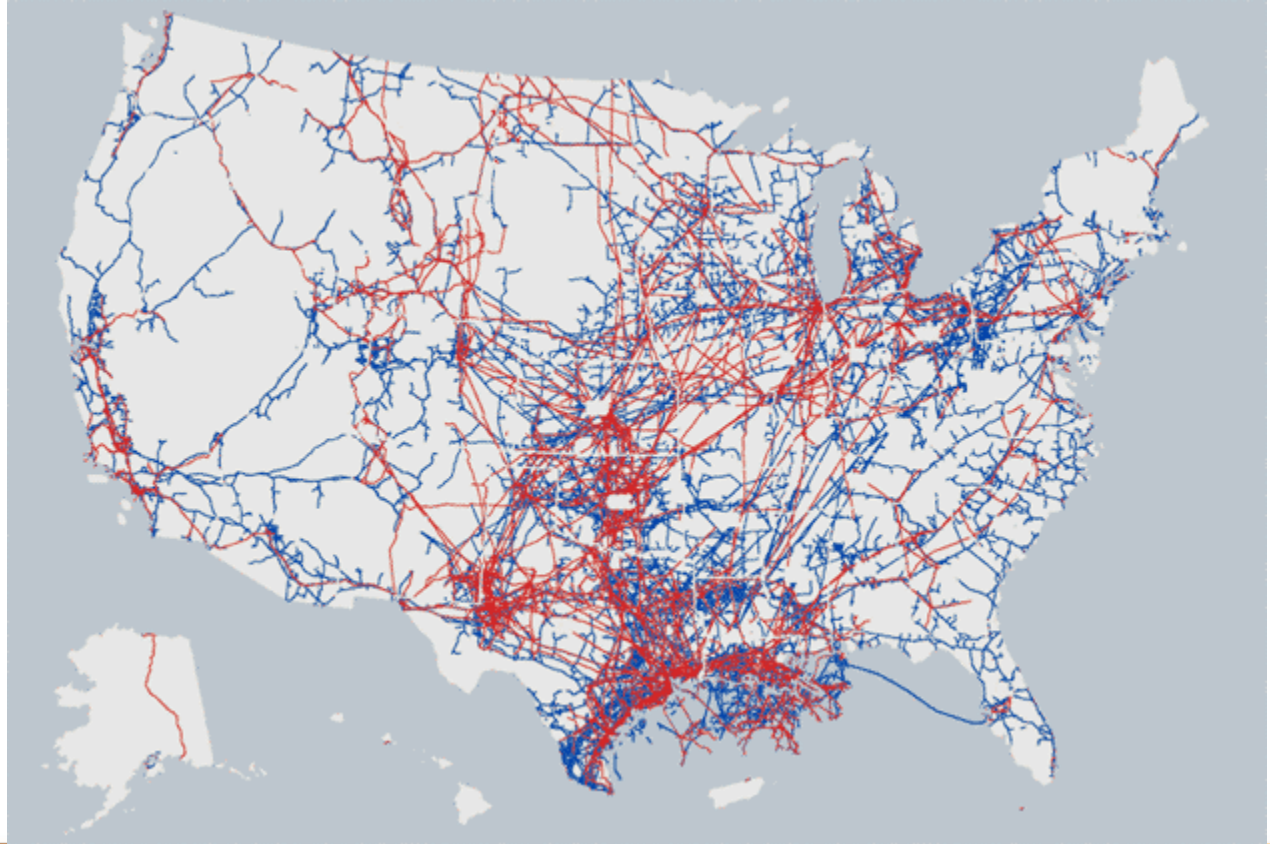
“Congress should update our national trade policy to benefit Texas producers and consumers,” state Rep. [Drew Darby](#), R-San Angelo, said Monday at a joint hearing of the House Energy Resources Committee, which he chairs, and the chamber’s International Trade and Intergovernmental Affairs Committee.

More than 100 Texas House members have signed on to a [proposed resolution](#) that calls the ban a “relic from an era of scarcity and flawed price control policies” that should be lifted. All three Texas railroad commissioners voiced support for the legislation, saying that finding more buyers for U.S. crude would prompt drilling, pouring more cash into the state treasury.

“If we want to sustain the ‘Texas miracle’ and lead the way to energy security, we have to compete in the international market,” Commissioner David Porter told lawmakers.

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“We’ve created artificial barriers between the central part of the country and the East and the West.”



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Jones Act

The Merchant Marine Act of 1920 (P.L. 66-261) is a U.S. Federal statute that regulates maritime commerce in U.S. waters and between U.S. ports. Section 27 of the statute, also known as the Jones Act, requires that all commercial shipping between U.S. ports, cabotage, must be performed by U.S.-flag ships constructed in the United States, wholly owned by U.S. citizens, and crewed by U.S. citizens and U.S. permanent residents. Steep penalties result from noncompliance. At the end of 2010, 56 tankers met the Jones Act requirements, accounting for less than 1% of both the total number and the total deadweight tonnage of tankers in the world (see table below). At any given time, 35 Jones Act tankers are engaged in trade in U.S. waters.

Jones Act and International Tankers, Year-End 2010

Vessels Larger Than 10,000 Deadweight Tons	Number of Vessels	Total Capacity (Million Deadweight Tons)
Total World: All Vessels	20,050	1,214
Total World: Tankers	5,794	478
Jones Act Tankers	56	4

Source: MARAD, http://www.marad.dot.gov/library/landing_page/data_and_statistics/Data_and_Statistics.htm.

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February 18, 2015, 05:00 pm

Retire the Jones Act

By Mark J. Perry



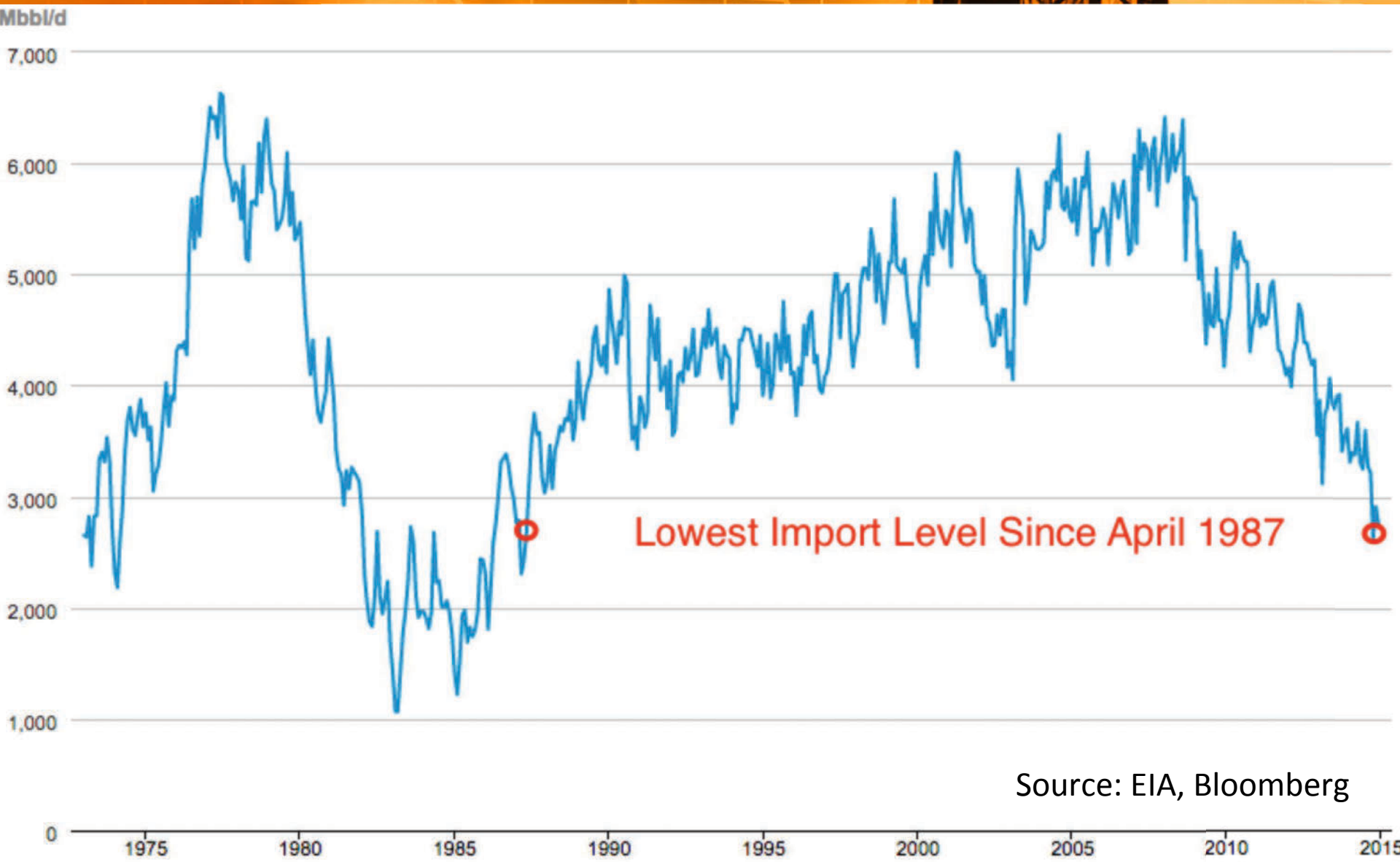
COMMENTS 26

Retiring the Jones Act – the nearly century-old legislative relic of the past that drives up energy prices and conflicts with the U.S. goal of achieving greater energy independence – is long overdue.

President Obama has spoken about the need to increase U.S. oil production, which would provide significant economic benefits, not only for oil-producing states like North Dakota and Texas, but nationally. Americans consume more than 19 million barrels of crude oil and petroleum products a day, about 40 percent it imported, down from 63 percent in 2006.

But we still rely on imported oil from some of the

U.S. Imports of OPEC Oil and Petroleum Products



Source: EIA, Bloomberg

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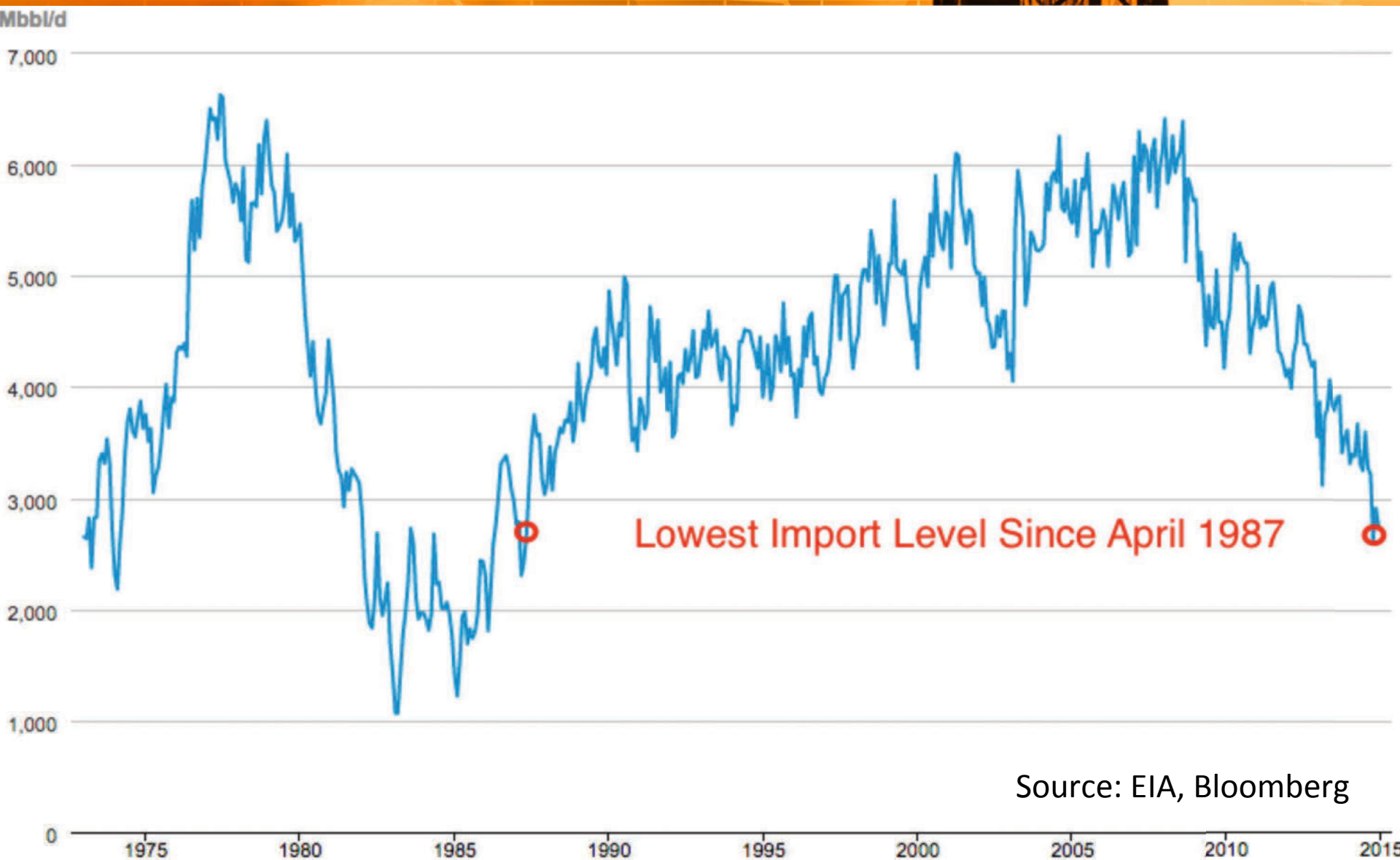


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“We are harming ourselves by having these internal barriers for no good reason.”

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U.S. Imports of OPEC Oil and Petroleum Products



Source: EIA, Bloomberg

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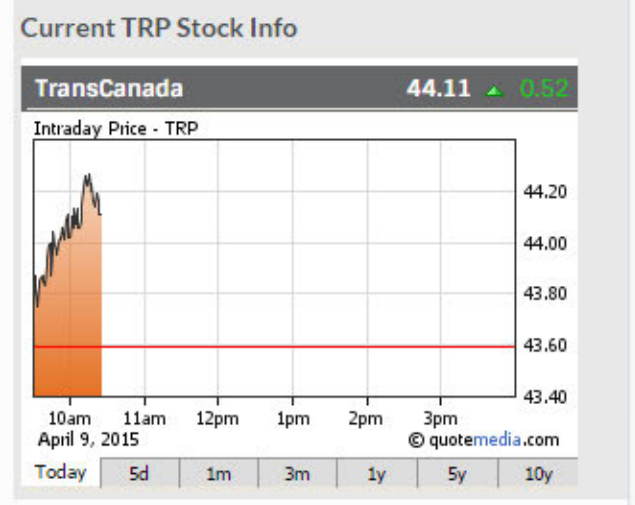
Crude Oil 50.99 ▲ 0.57 (1.13%) Brent Crude 56.91 ▲ 1.36 (2.45%) Natural Gas 2.626 ▲ 0.007 (0.27%) S&P 500 2076.33 ▼ -4.29

Obama Shoots Down Keystone XL

in 360 Articles by - Oil & Gas 360 - February 24, 2015

The president vetoed legislation to allow the construction of the Keystone XL pipeline today

The White House announced today that President Obama vetoed legislation regarding TransCanada's (ticker: TRP) Keystone XL pipeline. In his message to the Senate, the president said that the legislation "attempts to circumvent longstanding and proven processes for determining whether or not building and operating a cross-border pipeline serves the national



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Crude Oil 50.91 ▲ 0.49 (0.97%) Brent Crude 56.61 ▲ 1.06 (1.91%) Natural Gas 2.62 ▲ 0.001 (0.04%) S&P 500 2076.33 ▼ -4.29 ()

Keystone XL: Obama Veto Override Fails by 5 Votes

in 360 Articles / Canada / Politics by — Oil & Gas 360 — March 4, 2015

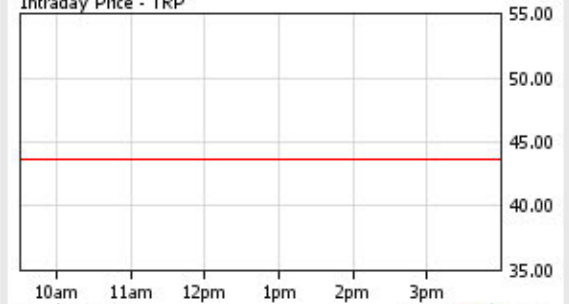
The Senate is unable to override the president's veto of TransCanada's (ticker: TRP) Keystone XL pipeline

The Senate was unable today to override President Obama's veto of a bill that would have allowed for the construction of the Keystone XL pipeline. President Obama vetoed the bill last month, saying the legislation "attempts to circumvent longstanding and

Current TRP Stock Info

TransCanada 43.59 - 0.00

Intraday Price - TRP



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Source: climatesciencewatch.org

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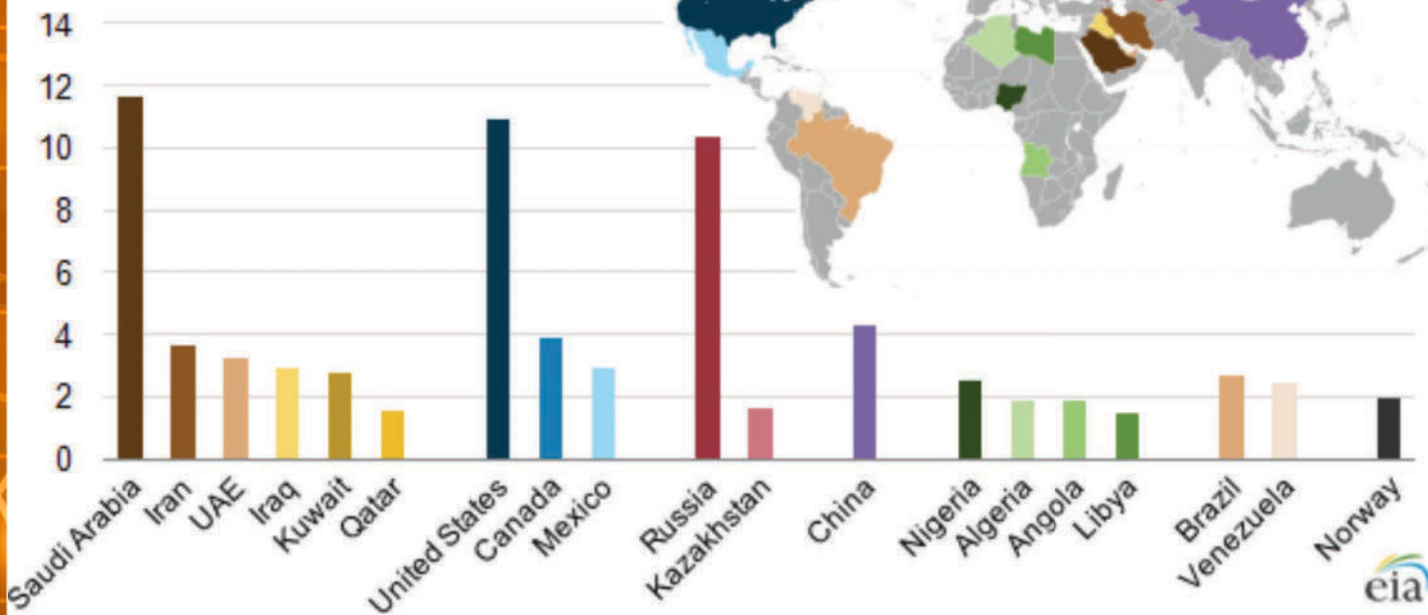
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Total liquids production
million barrels per day



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Photo Credit: Bakken.com

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Table 6: Comparative Statistics for Petroleum Incident Rates: Onshore Transmission Pipelines vs. Road and Railway (2005-09)

Mode	Avg. Billions Ton-Miles Shipment Per Year	Avg. Incidents Per Year	Incidents Per Billion Ton-Miles
Road*	34.8	695.2	19.95
Railway*	23.9	49.6	2.08
Hazardous Liquid Pipeline	584.1	339.6	0.58
Natural Gas Pipeline	338.5	299.2	0.89

*Only incidents involving and ton-mileage carrying those products carried by pipeline (petroleum products, liquid natural gas, etc.) are counted for road and railway

Sources: Ton-Mileage values are based on Tables 1-50 (for Natural Gas Pipeline) and 1-61 (all others) of the Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics "National Transportation Statistics", available at http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national_transportation_statistics/index.html, accessed April 2013. Incident and release volume data for Road and Railway were extracted from the Office of Hazardous Materials Safety "Incident Reports Database Search" at <https://hazmatonline.phmsa.dot.gov/IncidentReportsSearch/>, accessed April 2013. HL Pipeline release volumes were extracted from the Pipeline and Hazardous Material Safety Administration "Hazardous Liquid Accident Data - 2002 to 2009" file available at <http://phmsa.dot.gov/portal/site/PHMSA/menuitem.ebdc7a8a7e39f2e55cf2031050248a0c/?vgnextoid=fdd2dfa122a1d110VgnVCM100009ed07898RCRD&vgnextchannel=3430fb649a2dc110VgnVCM1000009ed07898RCRD&vgnextfmt=print>, accessed April 2013.

Source: Manhattan Institute

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Renewable Energy

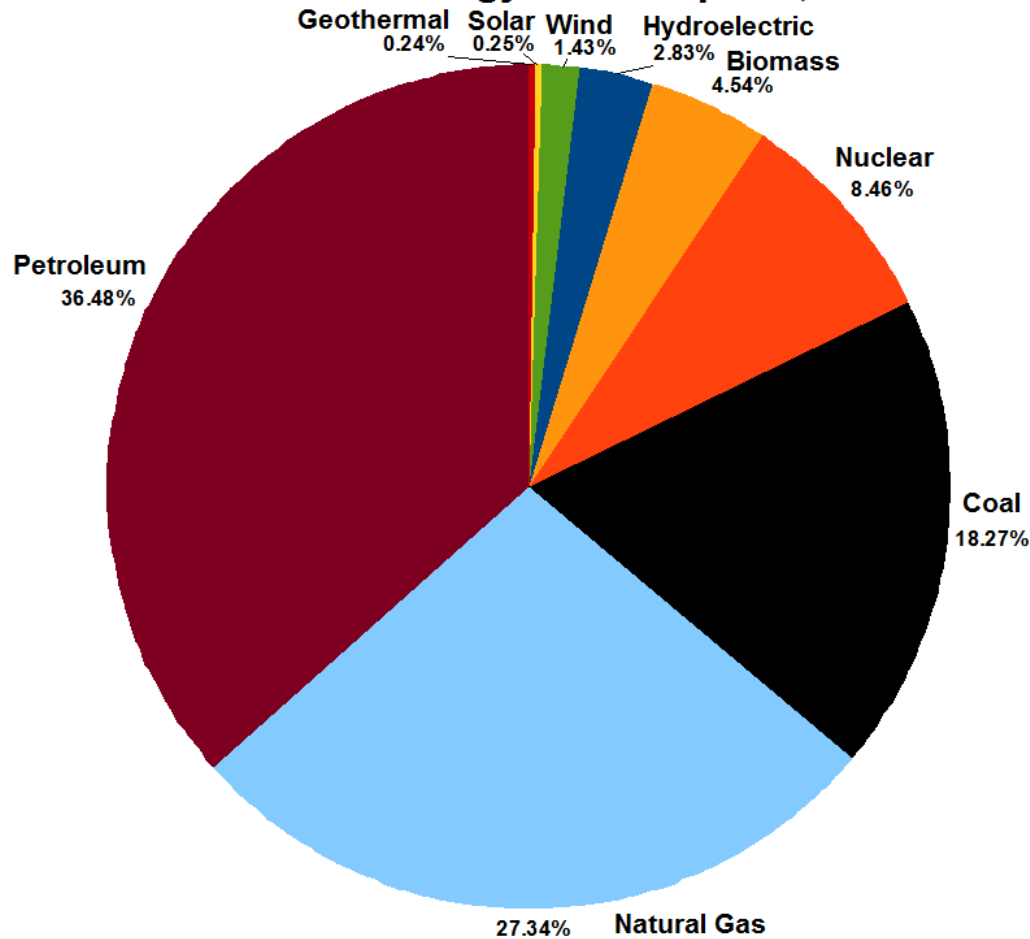


Source: cleantechnica.com

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United States Energy Consumption, 2012



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Source: energydigital.com



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“There is a role for subsidies, at least for some time.”

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**“Subsidies should
all have sunset
provisions.”**

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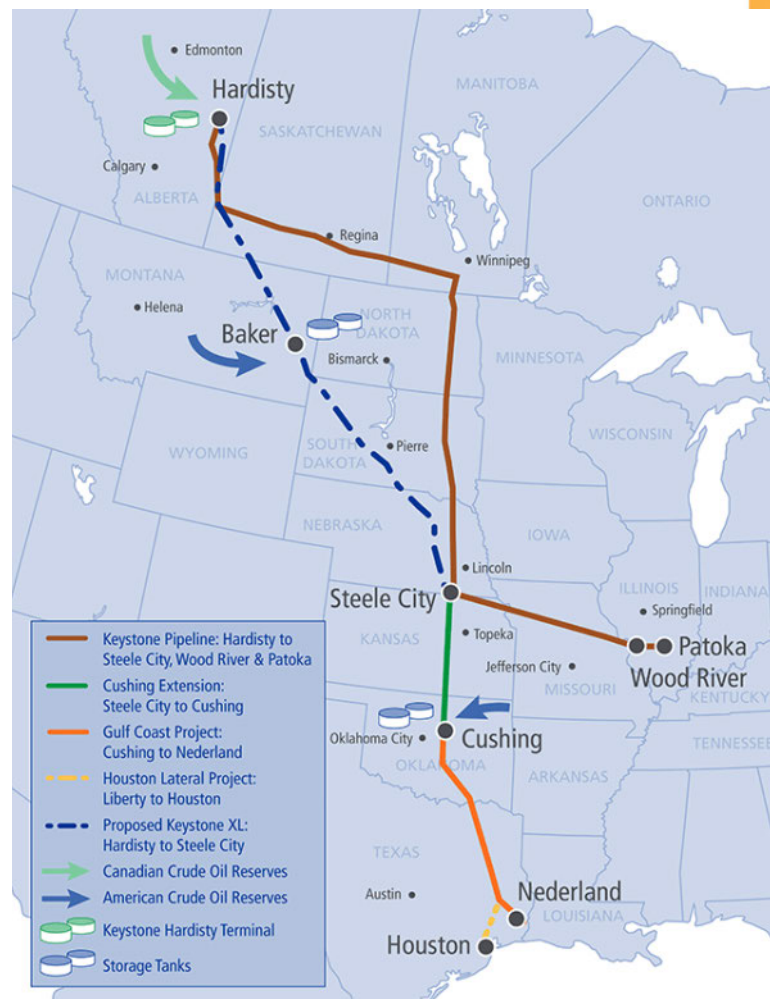
Jones Act

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Source: MARAD, http://www.marad.dot.gov/library/landing_page/data_and_statistics/Data_and_Statistics.htm.



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“I think if we can figure it out for the monetary system we can figure it out in much the same way for the energy and environmental system.”

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**End of Part III
An Interview
with
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