

COMMANDER KIRK S. LIPPOLD, USN (RET)

Lippold Strategies LLC
1208 Huntly Place
Alexandria, VA 22307
TEL 775-684-9197

December 3, 2015

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Senate Majority Leader
U.S. Senate
Washington, DC 20510

Dear Speaker Ryan and Leader McConnell:

I write to you today out of a deep concern that some in Congress are contemplating language to lift the restriction on crude oil exports. This provision is contained as part of an omnibus spending bill currently under consideration, just as done by the House of Representatives in its recently passed energy legislation (H.R. 8). Lifting the crude oil export ban presents a danger to our national security and could imperil our energy security. In addition, the recently concluded negotiations on the transportation bill call for selling off some 66 million barrels of the U.S. Strategic Petroleum Reserve (SPR). I urge you to consider the potential unintended consequences for U.S. energy security of both of these actions, particularly if taken together.

Both the SPR and the export ban were put in place in the aftermath of the 1973-74 Arab oil embargo. Congress was wise to recognize the deleterious impacts that supply shortages can have on U.S. energy security and the global economy and it acted decisively to prevent future disruptions. Today's geopolitical environment is anything but stable and the risks of another shock to global oil markets are considerable. Effective domestic oil stockpiles and sustained domestic production reduce both the need for oil imports and our vulnerability to the unpredictable nature of 21st century geopolitics.

I have experienced firsthand – particularly in my command of the USS Cole when it was attacked by Al Qaeda – the devastating effects of reliance on imported oil when our forward-deployed assets are placed in harm's way. It is therefore vital that the U.S. foster responsible development of our natural resources – our national security depends on it.

The SPR currently holds 700 million barrels of oil, but the transportation bill just out of conference currently would sell over 5 percent of these oil reserves and would set a precedent for future sales. Maintaining these critical oil stockpiles not only allows the U.S. to better navigate unforeseen geopolitical events, but also withstand severe weather and unexpected increases in demand. While decreasing the SPR and lifting the crude oil export ban make for clever budget maneuvers, they are deeply dangerous from a national security perspective. It should also be noted that tapping the SPR under current market conditions would strike the U.S. taxpayers as less than astute since much of the oil in the SPR was purchased when oil prices were far higher than they are today when the oil will be sold at a loss. From even the most basic of economic perspective, buying high and selling low lacks common sense, especially given our current and growing national debt.

COMMANDER KIRK S. LIPPOLD, USN (RET)

Page 2

Let me be clear: the U.S. is still significantly dependent on foreign oil imports and allowing this SPR sale while also lifting the oil export ban would only make things worse. In fact, U.S. dependence on oil imports has risen a total of 1.7% for three straight months between April and July 2015. As the export ban is lifted and U.S. supplies are exposed to growing demand on international markets, the price discount that the U.S. consumer and refiners have been benefiting from will dissipate, making imports more competitive with domestic supplies.

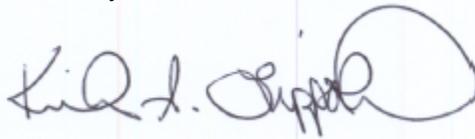
As numerous experts and U.S. Presidents have observed over the course of decades, there are significant national security risks associated with greater oil imports. As current events clearly demonstrate, reliance on unfriendly or dangerous regimes threatens the sustainability of many of our foreign policy and national security objectives. An America with diminished energy security and flexibility cannot project power effectively nor can it protect the global commons.

Global risks abound that threaten to tighten global supply and make an all-hands-on-deck approach to protect U.S. energy security more important than ever. Saudi Arabia's spare capacity is dangerously low and its oil producing Eastern Province is being wracked by Shi'a unrest in neighboring Bahrain. Libya's oil sector is still in turmoil, being battered by ongoing conflict and protests. Russian production is plummeting and Venezuela's government is growing increasingly unstable by the day. These trends are only likely to deepen and require a stable and robust domestic supply to ensure the U.S. is insulated from the vagaries of international crises.

The national security implications of sales from the SPR divorced from strategic considerations have not been well studied as part of a comprehensive national security or energy policy approach. Similarly, no analysis has fully evaluated the impact of lifting the crude export ban from a strategic perspective. But most importantly, no one has analyzed SPR draw down and increased exports occurring simultaneously - leading to the counterintuitive outcome that SPR could actually be exported!

Now that Congress has opted to tap the SPR, I urge you to not compound the resulting impacts on our energy security and national debt by adopting measures that would precipitously lift the oil export ban.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kirk S. Lippold", written over a light blue horizontal line.

Kirk S. Lippold
Commander, U.S. Navy (Ret)

Cc: The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Senate Minority Leader
U.S. Senate
Washington, DC 20510