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REPORT OF THE
COMMITTEE ON PETROLEUM IMPORTS
TO THE
NATIONAL PETROLEUM COUNCIL
WASHINGTON, D. C. - JULY 24, 1950

CHAIRMAN: FRANK M. PORTER

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The initial request for consideration of the matter of petroleum imports by the National Petroleum Council was made June 14, 1949, by the then Secretary of the Interior Krug. Pursuant to that request, this Committee was created and on October 25, 1949, it submitted an Interim Report to the Council, consisting of a summary of the findings of the Statistical Subcommittee together with a copy of the Statistical Subcommittee's report. On January 26, 1950, it submitted to the Council a further report stating that a study of the matter led the Committee to the conclusion that:

"(1) The sharp increase in imports of crude oil and its products, coupled with the continuing decline in exports of crude oil and its products, has hurt the domestic oil industry.

"(2) If imports continue to increase without regard to the principle of only supplementing the domestic production of crude and products -- they will seriously damage the oil industry and thus adversely affect the national economy and the national security."

The Committee further found that existing British government trade exchange control practices were "eliminating American

oil companies from the International oil trade." The Committee held that such practices had a bearing upon petroleum imports into and exports from the United States thereby affecting "the domestic industry, economy and security of this country." It was believed that " the United States government should take steps to permit American oil companies to compete in the international oil trade free of the unsurmountable obstacles presented by the present trade and exchange control discriminations arbitrarily imposed by the British government."

In its January 26, 1950 report to the Council, the Committee stated: "that imports of residual or heavy fuel oils have supplied, over a long period, a substantial part of the market for this product along the Atlantic Seaboard and that they have an established place in the industry's operations." The Committee also found that:

"During the years 1948 and 1949 expanding markets for heavy residual oils in the North Atlantic and New England States, which have been supplied in a large part by residual imports, might not have been supplied by the domestic industry in the absence of such imports.

"To the extent that such imports supplemented the ability of the domestic industry to supply this market and the extent to which such imports supplemented coal and other fuels in short supply for industrial purposes, it is believed that such imports constituted a contribution to both the national economy and the national security.

"To the extent that such imports may have restricted or depressed domestic refiners' market for residual fuel oils or restricted or depressed the market for domestic crude oils from which such fuel might have been derived, it must be recognized that residual imports have an adverse impact upon these segments of the domestic petroleum industry."

On April 21, 1950, in view of the continued increase of total imports, and the continued decrease of exports, Secretary of the Interior Chapman requested the Council to "continue the study of petroleum imports with a view to formulating such recommendations with respect thereto as may be deemed appropriate." The Agenda Committee of the Council recommended that the Petroleum Imports Committee, acting in accordance with the scope of its original limitations not to recommend or suggest plans or programs, give further study to the matter of petroleum imports and to report the results of its study to the next meeting of the Council. It is the view of the Committee that no limitations have been placed on its authority to state such conclusions as it may draw from its findings of fact.

A report of the Statistical Subcommittee, submitted on June 5, 1950, to members of the Committee, showed that during the first quarter of 1950 total imports averaged approximately 800,000 barrels a day, an increase over the daily average for 1948 and 1949. Exports for the first quarter of 1950 were 264,000 barrels a day, about 24% less than during the comparable period in 1949. The report disclosed that domestic production of crude oil and natural gasoline during the first quarter of this year averaged 5,402,000 barrels a day, 70,000 barrels a day under the average for 1949. The report revealed that stocks of crude oil and refined products in the United States had been reduced at the rate of 580,000 barrels a day during the first quarter of 1950.

The basic question involved in petroleum imports should be clearly understood. First, there is no issue of a complete embargo

or barrier against imports of either crude oil or residual fuel oil. Historically imports of both crude and fuel oil have had a place in the operations of the petroleum industry. The problem is simply whether or not imports are excessive and harmful to the oil industry, the national economy and national safety. This question applies to both crude oil imports and imports of residual fuel oil.

The Committee was originally requested to make a study of the effect of petroleum imports, on the domestic industry, the domestic economy and the national security. Continued study of the matter leads the Committee to the conclusions that:

1. Fair and equitable relationships should obtain between total imports of crude oil and its products and the total demand for oil in the United States during periods of excess availability of domestic oil for U. S. consumption.
2. Imports of crude oil and its products if increased beyond the limits of supplementing domestic production will adversely affect the domestic industry, the national economy and national security. Over the short term, the recent change in the international situation may make advisable a rapid rebuilding of our inventories and a renewed effort to develop a greater immediate domestic excess producing capacity. In the light of these short term considerations the Committee finds that the present situation calls for no immediate action. It is, however, recommended that the relationship between imports and domestic demand be again considered if the present trend changes.

3. Data on import expectancy and actual imports should be made available as promptly as those covering domestic crude oil production and refinery operations. To this end it would be helpful if:

- (a) The Secretary of the Interior, through the Bureau of Mines, obtained monthly from each importing company its estimate of the amounts of crude oil and each petroleum product which it expects to import during each succeeding three months period and the total of such estimates as to crude oil and each of the products separately were published in the Monthly Petroleum Forecast of the Bureau of Mines.
- (b) The Bureau of Mines used the above information on imports when preparing its Forecast of Crude Oil Demand by States.
- (c) There be gathered by some agency of the petroleum industry and made public weekly import statistics covering crude oil, and each of its products. Such data should be issued each week for the previous week, showing also the daily average for the preceding four weeks.

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