Lifting the U.S. Crude Oil Export Ban: Prospects for Increasing Oil Market Efficiency

by: Nida Çakır Melek and Elena Ojeda

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Repealing the U.S. ban on crude oil exports led to increased trade and efficiency in the oil market.

Over the past decade, U.S. shale oil has substantially changed the nation’s energy landscape. The introduction of hydraulic fracturing and horizontal drilling accelerated shale oil production in the United States, encouraging domestic oil producers to look for export opportunities. Until recently, these producers faced export restrictions due to a longstanding federal ban on most crude oil exports. However, in December 2015, the 40-year-old-ban was lifted.

Nida Çakır Melek and Elena Ojeda review oil market distortions while the export ban was in effect and examine whether the oil market became more efficient after the export ban was lifted. They find that together, the shale oil boom and export ban interacted to distort oil trade flows and prices. Repealing the export ban created opportunities for increased trade and efficiency in the oil market.

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