Beware Foreign Refinery Ownership

By Edward P. Cross

The United States continues to be a global leader in oil and natural gas production. However, foreign-owned refining capacity may limit future U.S. oil production growth.

Foreign entities have acquired significant U.S. refinery assets since the 1980s, and currently, about 30 percent of the country’s refining capacity is foreign owned. Many of these foreign-owned refineries have financial agreements that allow them to exclude domestically sourced crude oil. These foreign-owned entities can use these U.S. refinery assets in a new strategy to capture market for their oil production and limit in the U.S. oil company Citgo Petroleum has the right to claim an ownership stake in the sixth-largest refinery in the United States, the ability to impact Americans’ gasoline prices and a strategic advantage over the country’s geopolitical freedom of action.

The White House has the power to block the deal on national security grounds. When foreign companies make major investments in American properties, each side is expected to voluntarily file a notice with the White House committee known as the Committee on Foreign Investment in the United States (CFIUS). CFIUS is a nine-member interagency committee, chaired by the U.S. Treasury Secretary, that reviews the national security implications of foreign investments in U.S. companies or operations. There have been cases in which foreign state-operated companies have withdrawn their bids because of political pressure. In 2005, the Chinese state-owned oil and gas company CNOOC cancelled its $18.5 billion bid for U.S. oil company Unocal after members of Congress sought to extend CFIUS’ review of the case. Many experts expect the Rosneft transaction would meet similar, if not stronger, opposition.

In April, U.S. Representatives Jeff Duncan, R-S.C, and Albio Sires, D-N.J., asked CFIUS Chairman and Treasury Secretary Steven Mnuchin to investigate the deal. Sires is the top member of the U.S. House Committee on Foreign Affairs’ Western Hemisphere subcommittee.

U.S. oil companies have struggled in a low-price market environment during much of the past two years. The low price environment’s ripple effects have affected employment, tax revenues and economic growth across the country. Oil producing companies across America have refocused their capital expenditures and are strategizing their way out of this downturn. As America continues our march to energy independence, we do not need limitations on our domestic oil production markets.

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