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## Impact of Cap-and-Trade on the Refining Sector

A new study by EnSys Energy illustrates the devastating impact a Cap-and-Trade national energy tax will have on the US Oil Refining industry. While the study did not look specifically at refinery closures or job losses, it is their contention that these losses would be substantial.

### Increased Costs

Increased “variable” costs will be crippling for the oil refining industry:

- In 2015 allowance costs for direct refinery emissions will be from **\$2.5 to \$5.7 billion** (2007\$).
- **Increase costs per barrel \$0.5 to \$1.2, an average increase of 20% to 50%.**
- By 2030 the **costs would increase to \$14.8 to \$32 billion. A per barrel increase of \$2.7 to \$7.2, which is a 100%-300% increase.**

Cap-and-Trade would also increase “fixed” costs for refineries by increasing costs of construction for new equipment. This increased cost will prevent refineries from investing in new equipments and technologies.

### Domestic Production Decreases; Import Increases:

As a result of increased costs rendering US companies less competitive against unrestrained countries, production from US companies would drop off while production from foreign companies increases.

- US refining throughput could **plummet by as much as 25%** (4.4 million barrels per day) by 2030.
- US refining throughput would **reduce by 1 to 2 million barrels per day by 2015 and by 1.5 to 4.4 million barrels per day in 2030.**
- This will negatively affect all US refining regions, but will hit the Gulf Coast, PAD District III hardest.
  - 2030 throughput in PAD District III would fall from the 7.7 million barrel per day Baseline estimate to **between 6.8 and 5.1 billion barrels per day.**
- By 2030, non-US throughput would increase an estimated 900,000 to 3.3 million barrels per day.
- US imports would increase from the 2015 Baseline of 14% to between 18% and 20%.
- Imports would also increase from the 2030 Baseline of 10% to between 14% and 19%.

The offsetting imports mean that any carbon emissions that are cut from the US would be offset by increased emissions in countries with increased production. This program would have no impact on worldwide CO<sub>2</sub>, but devastate the refining industry.

### Decreased Investment

- Annual refinery **investments would decrease up to \$89.7 billion by 2030**; an 88% decrease from the Baseline level.

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