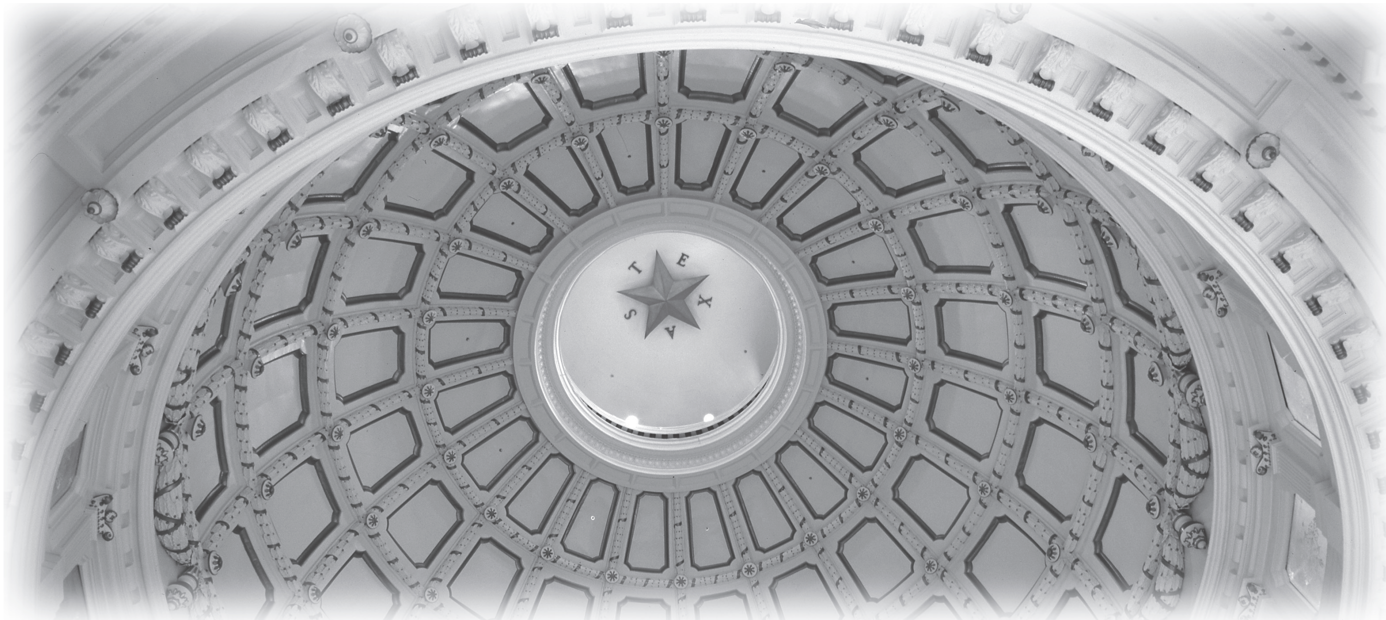

Interim Report

to the 84th Legislature

House Committee on International Trade & Intergovernmental Affairs

THE STATE OF TEXAS

May 2015

HOUSE COMMITTEE ON INTERNATIONAL TRADE & INTERGOVERNMENTAL AFFAIRS
TEXAS HOUSE OF REPRESENTATIVES
INTERIM REPORT 2014

A REPORT TO THE
HOUSE OF REPRESENTATIVES
84TH TEXAS LEGISLATURE

RAFAEL ANCHIA
CHAIRMAN

COMMITTEE CLERK
JEFF MADDEN

Committee On
International Trade & Intergovernmental Affairs

May 25, 2015

Rafael Anchia
Chairman

P.O. Box 2910
Austin, Texas 78768-2910

The Honorable Joe Straus
Speaker, Texas House of Representatives
Members of the Texas House of Representatives
Texas State Capitol, Rm. 2W.13
Austin, Texas 78701

Dear Mr. Speaker and Fellow Members:

The Committee on International Trade & Intergovernmental Affairs of the Eighty-third Legislature hereby submits its interim report including recommendations and drafted legislation for consideration by the Eighty-fourth Legislature.

Respectfully submitted,

Rep. Rafael Anchia, Chair

Rep. J.M. Lozano, Vice-Chair

Rep. Giovanni Capriglione

Rep. Celia Israel

Rep. Poncho Nevárez

Rep. Mary Ann Perez

TABLE OF CONTENTS

INTERNATIONAL TRADE & INTERGOVERNMENTAL AFFAIRS

The House Committee on International Trade & Intergovernmental Affairs was appointed by The Honorable Joe Straus, Speaker of the Texas House of Representatives in January, 2013. Rafael Anchia was named chair of the committee and J.M. Lozano was named vice-chair. Committee membership included: Giovanni Capriglione, Brandon Creighton, Poncho Nevarez, Mary Ann Perez, and Mark Strama. Following the resignation of Mark Strama from the Texas House of Representatives in June, 2013 a special election was held and Celia Israel was elected to the Legislature and appointed to the committee in February, 2014.

In January, 2014 Speaker Straus issued interim charges for each committee to study over the interim. The International Trade & Intergovernmental Affairs Committee was tasked with the following charges:

1. Examine opportunities and innovations to increase international trade and investment in Texas. Review state and federal regulations to determine what can be done to ease tariff and non-tariff barriers in order to maximize trade flow.

2. Study options to improve the physical infrastructure that facilitates international trade, considering both state and local investment opportunities.

3. Quantify the impact of commercial ship traffic on smaller coastal waterways and find creative, pro-growth solutions that will allow all Texans access to the Gulf of Mexico.

4. Conduct legislative oversight and monitoring of the agencies and programs under the committee's jurisdiction and the implementation of relevant legislation passed by the 83rd Legislature. In conducting this oversight, the committee should:

    a. consider any reforms to state agencies to make them more responsive to Texas taxpayers and citizens;

    b. identify issues regarding the agency or its governance that may be appropriate to investigate, improve, remedy, or eliminate;

    c. determine whether an agency is operating in a transparent and efficient manner; and

    d. identify opportunities to streamline programs and services while maintaining the mission of the agency and its programs.

In July, 2014 Speaker Straus issued a charge for the International Trade & Intergovernmental Affairs Committee to study jointly with the Energy Resources Committee. That charge was given as follows:

1. Examine the impact on Texas' economy and businesses of the recent expansion of oil and gas production in Northern Mexico. Assess opportunities for economic growth in Texas and collaboration between Texas businesses and Mexico resulting from Mexico's energy reform, including Mexico's efforts to recover shale gas from the Eagle Ford Shale.

20 YEARS OF NAFTA

Background

On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force. NAFTA created the world's largest free trade area, which today has 450 million people and a combined gross domestic product of $17 trillion.[1] Over the last two decades, each of the NAFTA partners has experienced strong economic growth, increased trade and investment flows, and rising prosperity. Manufacturers, farmers, ranchers, and service providers have greater export opportunities, while consumers have enjoyed lower prices and more choices in the marketplace.[2] Not only is the North American trade relationship substantial in size, it is also incredibly deep. Since NAFTA, North American trade has evolved from being primarily goods produced in one country and sold to another to a symbiotic, joint-manufacturing relationship between the U.S. and Mexico. In this environment, there are continuous imports of materials back and forth across the border during production. For example, a car built in North America will have crossed an international border approximately 8 times as it is being assembled.[3] Due to this unique relationship, imports actually have a positive impact on the U.S. economy, along with exports. That is because in final good imports from Mexico, 40% of that good is U.S.-built content; while final good imports from Canada are 25%.[4] Another way to interpret this is that for every dollar that the U.S. spends on imports of goods from Mexico, 40 cents of that in reinvested in terms of jobs in the U.S. Whereas, final goods from China only have approximately 4% U.S. content.[5]

U.S. Trading Relationship with Mexico

Since NAFTA was implemented, bilateral trade between the United States and Mexico has grown exponentially, nearly quintupling the amount of binational trade between the two countries. To put this size of this commercial relationship into perspective, U.S. exports to Mexico are larger than the exports to Brazil, Russia, India, and China combined.[6] In 2013, Mexico exported goods worth almost 769 million U.S. dollars to the United States every day—roughly 80 percent of Mexico's total exports.[7]

Mexico-Texas Trade

Trade with Mexico is massive and far-reaching throughout the United States. With over half of a trillion dollars' worth of goods traded between the two nations annually, it does not come at a surprise that Texas leads the nation in both exports and imports with Mexico. In fact, in 2012 the total trade value for Texas and Mexico amounted to more than the next seven states combined.[8] Even with Texas accounting for 40% of the total trade, states as far away as New Hampshire consider Mexico as the top buyer of exports. In fact, 20 states sell more than a billion dollars' worth of goods to Mexico each year.[9]

Top U.S. States Trading with Mexico, 2012 (in millions of USD)

U.S. State	Rank of Mexico As Export Market #	Exports Value	Imports Value	Total Trade
Texas	**1**	**$94,800**	**$99,853**	**$194,653**
California	**1**	$26,320	$36,039	**$62,359**
Michigan	**2**	$10,459	$38,140	**$48,599**
Louisiana	**2**	$6,518	$5,131	**$11,649**
Illinois	**2**	$6,367	$9,133	**$15,500**
Arizona	**1**	$6,269	$6,748	**$13,017**
Ohio	**2**	$4,708	$6,660	**$11,368**
Tennessee	**2**	$4,232	$4,963	**$9,195**

In 2013, the top 5 goods exported from the Texas to Mexico were: Industrial Machinery ($21.1 billion), Electronics ($19.3 billion), Mineral Fuel and Oil (oil and natural gas) ($16.1 billion), Vehicles ($8.5 billion), and Plastics ($6.5 billion). U.S. good imports from Mexico in totaled $94 billion in 2013, with the top 5 commodities being Mineral Fuel/Bitumin ($24.8 billion), Industrial Machinery ($18.5 billion), Electric Machinery ($19.9 billion), Vehicles ($9.6 billion), and Medical Instruments ($2.3 billion).[10]

U.S. Trading Relationship with Canada

The trading relationship between the U.S. and Canada is well established— Canada is currently the U.S.' largest trading partner with $632 billion in total (two ways) goods trade during 2013. This relationship is so strong that 35 states recognize Canada as their biggest export market.[11] In fact, trade to Canada amounts to more than China, Japan, Germany, and the U.K. combined.[12]

The top 5 goods exported from the U.S. to Canada in 2013 were: Vehicles ($51.7 billion), Machinery ($45.3 billion), Electrical Machinery ($26.8 billion), Mineral Fuel and Oil (oil and natural gas) ($24.7 billion), and Plastic ($13.0 billion). U.S. goods imports from Canada totaled $332.1 billion in 2013, a 2.5% increase ($8.1 billion) from 2012, and up 50% from 2003. U.S. imports from Canada are up 308% from 1993 (Pre NAFTA). U.S. imports from Canada account for 14.6% of overall U.S. imports in 2013.[13]

Canada-Texas Trade

In 2012, Texas exported $28.2 billion in goods and services to Canada, solidifying Canada as Texas' second-largest trading partner, only behind Mexico. At $4.7 billion, Canada is Texas' top market for services. Together, Canada and Texas share the largest energy grid in the world.[14]

Texas' leading exports to Canada are Fuel Oil ($3.4 billion), Plastics ($2 billion), Crude Petroleum ($1.7 billion), Organic Chemicals ($1.5 billion), and Optical, Medical, and Precision Instruments ($1.1 billion). Texas' top imports from Canada include Plastics ($1.1 billion), Organic Chemicals ($1 billion), Crude Petroleum ($871 million), Aircraft ($741 million), and Natural Gas ($692 million). This $40.4 billion in bilateral trade with Canada supports over 459,700 jobs in Texas.[15]

TRADE AND TRANSPORTATION INFRASTRUCTURE

Committee Action

The Committee met on February 21st, 2014 in Laredo, Texas to take invited testimony on trade and transportation infrastructure.

The following experts testified at the hearing:

Dr. Pablo Camacho, Texas A&M International University; Congressman Henry Cuellar, U.S. House of Representatives, Texas District 28; Jose Flores, Airport Manager, Laredo International Airport; Jesse Hereford, Chairman, Border Trade Alliance; Esther Hitzfelder, International Relations office, Texas Department of Transportation; Miguel Perez, Director of International Customer Logistics, Ryder Supply Chain; Mayor Raul Salinas, City of Laredo; Gerald Schwebel, President, North American Strategy for Competitiveness; Joel Tilton, Union Pacific Railroad; Jose "Joe" Uribe, United States Customs and Border Protection; and City Manager Carlos Villarreal, City of Laredo.

The Committee met on November 14th, 2014 at the Port of Houston Authority in Houston, Texas to take invited testimony on the topic of international trade at our maritime ports and along our coastal waterways.

The following experts testified at the hearing:

David Flores, Southwest Consulting; Roger Guenther, Executive Director, Port of Houston Authority (PHA); Dan Harmon, Director, Maritime Division, Texas Department of Transportation; Joe Hrametz, Galveston Division, U.S. Army Corps of Engineers; David Krams, Director of Engineering, Port of Corpus Christi; Tom Marian, Texas Director, Gulf Intracoastal Canal Association; John Roby, Director of Corporate Affairs, Port of Beaumont; Jennifer Stastny, Director of Operations, Port of Victoria.

Background

Texas' International trade relies on a network of transportation modes throughout the state. This includes a vast network of roads, ports of entry at the international border, rail, maritime ports, and pipelines. Each of these networks plays a vital role in making Texas a leader in post-NAFTA trade. In 2010, 1.6 billion tons of cargo moved across these shared networks—roughly 62% of that was via trucks on our roads. This astounding figure is expected to double by 2040, with a yearly freight tonnage of 3.3 billion forecasted. Of that, 66% of that will be on Texas roads.[16]

Roads

Texas has an extensive system with over 80,000 centerline miles of road maintained by the Texas Department of Transportation. This includes 16,353 state highway miles, 12,105 U.S. highway miles, and 3,233 interstate highway miles.[17] The map below shows Texas' road network used for the assignment of freight flows.

Ports of Entry

Thirteen of the twenty-four commercial truck crossings along the U.S.-Mexico border are located in Texas: Bridge of the Americas (BOTA); Ysleta-Zaragoza International Bridge; Presidio-Ojinaga International Bridge; Del Rio - Ciudad Acuna International Bridge; Camino Real International Bridge; Laredo-Colombia Solidarity Bridge; World Trade Bridge; Roma-Ciudad

Miguel Aleman Bridge; Pharr-Reynosa International Bridge on the Rise; Weslaco-Progreso International Bridge; Rio Grande City - Camargo Bridge; Free Trade Bridge; and Veterans International Bridge. Combined, these crossings accounted for 68% of trucks crossing from Mexico into the U.S. in 2012.[18] Additionally, the Donna International Bridge may soon be open for commercial traffic, processing empty trucks on their return trips across the border, thereby reducing congestion at the nearby Pharr International Bridge.

Maritime Trade

Texas ports and waterways are critical links in international commerce. There are 16 maritime ports along the Gulf Coast, accounting for more than 550 million tons of foreign and domestic cargo each year—nearly 20% of all U.S. port tonnage. The Port of Houston handles more imports than any other U.S. port and ranks second in exports and total tonnage. The Port of Beaumont (4th), the Port of Corpus Christi (6th), and the Port of Texas City (10th) are also among the nation's ten largest ports.[19] With the expansion of the Panama Canal scheduled to be complete in 2015 and increases in the state's population and worldwide waterborne trade, Texas waterways are expected to transport over 766 million tons by 2030.[20]

Gulf Intracoastal Waterway

The Gulf Intracoastal Waterway (GIWW) is a 109 year old, 1,300-mile-long man-made protected waterway that connects ports along the Gulf of Mexico from St. Marks, Florida to Brownsville, Texas. The GIWW is the nation's third busiest inland waterway with the 406-mile long Texas portion handling 77 million tons of freight per year.[21]

TxDOT is the non-federal sponsor of the GIWW and facilitates in its management, but the waterway is maintained by the United States Army Corps of Engineers (USACE) who provides federal funds to dredge, operate, and maintain it. However, sections of the GIWW are not being maintained at its full 12' depth due to lack of funding for needed dredging. The Galveston District of USACE has been receiving approximately $25 million annually for dredging maintenance of the GIWW, but the need for keeping the waterway at 12' is closer to $60 million. The structures supporting barge traffic along the waterway are over 50 years old, and at only 75' wide not large enough to most efficiently support the increasing barge transportation from oil and gas development.

Port Authority Advisory Committee

Chapter 55 of the Texas Transportation Code mandates that the Port Authority Advisory Committee consist of seven members appointed by the Texas Transportation Commission. The purpose of the committee is to provide a forum for the exchange of information between the commission, the Texas Department of Transportation and committee members representing the port industry in Texas and others who have an interest in ports. The committee's advice and recommendations will provide the commission and TxDOT with a broad perspective regarding ports and transportation-related matters to be considered in formulating department policies concerning the Texas port system. The committee develops the Capital Program biennial report that details the various port projects and funding needs submitted by Texas public ports.

Rail

The railroad freight network in Texas consists of 44 railroads spanning 10,743 miles of rail lines. The major Class I rail companies include BNSF Railway, Kansas City Southern Railway (KCS), and Union Pacific (UP).[22] Combined, BNSF and UP operated on over 93% of the Class I track mileage in the state.[23]

Three Class 1 and 43 short-line railroads operating in the state employ over 16,000 Texans. In 2010 roughly 24 percent of the freight tonnage (and 27 percent of the total freight values) in the State was moved by freight rail. In 2012, more than 373 million tons of freight was moved by Texas freight railroads.[24]

The current 2010 Rail Plan identifies more than $3.9 billion in infrastructure improvements needed on the state's freight rail system.[25] These projects include rail-roadway crossing grade separations, crossing closures, double-tracking, sidings, and yard improvements. Bypass routes around major metropolitan areas could add an additional $3.6 billion or more to the plan.

Aviation

Air cargo is a mode for low-weight, high value, and time-sensitive goods like alcohol, electronics, and medicines. By weight it only accounts for 2% of total trade in Texas; however, it accounts for 40% by value.[26]

A 2008 study by the Texas Transportation Institute at Texas A&M University projected Texas air cargo to grow over 526% from 2002 to 2035, with Austin, El Paso, and Houston growing the most.[27]

Texas Exports

This enormous system of trading-infrastructure, along with Texas' geographical advantages and resources helps make Texas a leader in the worldwide marketplace. In 2012, Texas ranked first in the U.S. with an estimated value of $262.3 billion worth of goods exported, and third in services exports with an estimated value of $50 billion.[28] Though we are the top exporter of cotton, cattle, and other live animals, we are only eighth in the list of America's largest exporter of agriculture products. Our top exports for 2012 were Petroleum and Coal Products ($57.2b); Basic Chemicals ($26.2b); Synthetic Rubbers & Resins ($14.7b); Semiconductors & Components ($14b); and Computer Equipment ($12.8b).[29]

Texas Workforce

International trade creates and supports jobs all across the United States. Nationally, U.S. jobs supported by exports reached an estimated 11.3 million in 2013, up 1.6 million since 2009. Exports from Texas alone supported an estimated 1.1 million jobs. A total of 40,737 companies exported from Texas in 2012. Of those, 93% were small and medium-sized enterprises with fewer than 500 total employees.[30]

Foreign Direct Investment

Over 1,400 foreign corporations are currently doing business in the state. In fact, Texas ranks third behind only California and New York in Foreign Direct Investment (FDI). With the abundance of energy resources in the state, Texas leads the nation in investment of industries such as energy and chemicals.[31] Leading investors in FDI in the state are the United Kingdom and Germany. In fact, Western European countries collectively represented 51% of the total foreign investment in Texas between 2009-2013. The top five industries for UK investment are: Energy with 57 projects; IT & Electronics with 23 projects; Professional Services with 19 projects; Industrial Goods with 11 projects; and Transportation Equipment with 6 projects.[32]

Funding Opportunities

Port Access Account Fund (PAAF)

In 2001, the Texas Legislature created the Port Access Account Fund (PAAF) by amending Chapter 55: Funding of Port Security, Projects, and Studies of the Transportation Code. The PAAF is intended to provide the means for the state to help fund expansion and upgrading maritime port facilities in the state. Unfortunately, this account has never received funding. This lack of funding has limited many ports' expansion opportunities, because they do not generate the revenue to pay for capital improvement projects fast enough and do not have bonding capacity. Without these capital improvements, we are sending business to other states. The chart below shows that of the 13 states listed with maritime ports that are competing with Texas ports, Texas is the only state that does dedicate funding for port projects. This is giving a competitive advantage to these other states, as they are using this additional revenue to subsidize channel deepening and widening projects, dockside infrastructure, warehouses, cruise terminals, security enhancements and intermodal transportation projects to reduce congestion.[33]

Port Funding Programs by State

State	Grants	Low Interest Loans	Motor Vehicle Registration	Tax Incentives	Transportation Program	Economic Development Program	General Revenue
Texas							*
Alabama	**						✓
Florida	✓	✓	✓		✓		✓
Louisiana	✓					✓	✓
Mississippi	✓	✓		✓	✓	✓	✓
Georgia				✓			✓
South Carolina				✓			✓
North Carolina				✓			✓
Virginia					✓		
Rhode Island				✓			✓
Oregon		✓					✓
California							✓
Indiana				✓			
Ohio					✓		✓

* Texas authorized the Port Access Account fund as a general revenue fund in 2001; it has never been funded.
** Alabama provided one-time grant from their general revenue fund for $10M; they do not have a formal program.

Public-Private Partnerships

A public-private partnership (PPPs or P3) is a contractual agreement formed between public and private sector partners. The agreements involve a government agency contracting with a private company to renovate, construct, operate, maintain, and/or manage a facility or system. While the public sector usually retains ownership in the facility or system, the private party will be given additional decision rights in determining how the project or task will be completed.[34] PPPs provide a path for developing public projects through innovative financing partnerships with the private sector. PPPs allow for a predictable, recurring, and transparent procurement method to bring sustainable projects to meet Texas' infrastructure needs while ensuring accountability to the public and taxpayers.

Coordinated Border Infrastructure Program

The Coordinated Border Infrastructure Program (CBI) was a partnership between the Federal and State governments, along with PPPs. CBI was a Federal program that dedicated funds to improving the border infrastructure by limiting issuance to those projects that were within 100 miles of the border; thereby ensuring investment in the trade infrastructure on which the entire nation relies. This program was eliminated with the issuance of MAP-21, when it was expanded to allow for issuance to projects that could show a national significance. This program expansion increased competition for funds and has negatively impacted the trade infrastructure along our southern border on which the entire nation relies so heavily.

Additional Public-Private Partnership Opportunities

In March 2013, a pilot program allowed private investment in the form of reimbursements to CBP for additional staffing hours for the purpose of increasing inspection personnel at our ports of entry. This addressed the problem of staffing shortages; however, it didn't help with the aging infrastructure issue.

In the DHS Appropriations bill adopted at the beginning of 2014, Congress approved the use of PPPs for infrastructure improvements along the U.S.-Mexico border. The program rules have not been announced at the submission of this report; however, such tools will surely help to address outdated infrastructure at our POEs.

Recommendations

1. Explore PPP opportunities for infrastructure investment along the border.

2. Dedicate funding for the Port Access Account Fund.

3. Create a Texas Coordinated Border Infrastructure Program within TxDOT.

ENERGY

Committee Action

The Committee met jointly with House Committee on Energy Resources on September 26th, 2014 in Edinburg, Texas in to take invited testimony on the impact and opportunities for Texas with Mexico's energy reforms; as well as invited testimony on liquefied natural gas (LNG) exports, and crude oil exports.

The following experts testified on Mexico's energy reforms:

George Baker, Mexico Energy Intelligence, energia.com; Alejandra Bueno, Caheaux, Cavazos & Newton; Jorge Pinon, Jackson School of Geosciences, Center for International Energy and Environmental Policy at the University of Texas- Austin; Grant Ruckel, Energy Transfer; Max Yzaguirre, The Yzaguirre Group.

The following experts testified on LNG exports and crude oil exports:

Matt Barr, Cheniere Energy; Erica Bowman, Vice President and Chief Economist, America's Natural Gas Alliance (ANGA); Bill Cooper, President, Center for Liquefied Natural Gas; Roger Wallace, Vice President of Federal Policy, Pioneer Natural Resources.

Mexico's Energy Reform

In December 2013, Mexico's Congress passed groundbreaking legislation that modified the Constitution to effectively open up the energy sector to foreign and domestic private investors. The reform seeks to modernize the energy sector, reverse declining production, and lower energy costs, which in turn would increase economic growth.

Nine new secondary laws and changes to 12 others lay a foundation of private sector participation. These laws govern licenses, production-sharing and profit-sharing contracts, and pure service contracts. This will allow private investors to engage in exploration and production, and participate in the refining, transportation, storage and distribution of oil, natural gas, and other petroleum-based products. The reform will also allow the government to contract with private firms to expand the generation, transmission and distribution of electricity.

Opportunities for Texas

Due to Texas' extensive economic ties, geographic proximity, as well as expertise in unconventional drilling and exploration, the state stands to be a major beneficiary from the reform in Mexico. Texas is home to hundreds of energy companies—28 of which are in the Fortune 500. Considering that 54% of prospective oil and gas resources in Mexico are unconventional, many experts believe that the country will require Texas' firms to provide capital, resources, and expertise.

There is considerable potential for expanding shale exploration and production in Mexico. In fact, of its five prospective basins, two of them are at or near the Texas border: El Burro Uplift, and the Burgos Basin. The latter of which is an extension of the prolific Eagle Ford Shale in South Texas. The Burgos Basin is estimated to hold two-thirds of the country's 545 cubic feet of shale gas.[35]

PROSPECTIVE SHALE BASINS OF EASTERN MEXICO

Energy Exports

Liquefied Natural Gas (LNG) Exports

As recently as 2007, North American energy companies were approved to build facilities along the coast that could receive imported Liquefied Natural Gas, and then convert it back to a gas for sale and use. This is because of a shortage of natural gas in the U.S. at the time. However, just a few years later with the increased production of unconventional drilling techniques, there is currently an abundance of natural gas; so much so that some drillers are more inclined to burn off the excess in a flare, rather than fund the necessary infrastructure to capture, store, and transport this resource for sale. That is because the supply in the U.S. is outpacing the demand, making it an extremely affordable resource; or to an investor, not profitable. However, there are global markets that are seeing a high demand for natural gas. These markets are driving up the cost to levels, making the idea of exporting LNG from the U.S. intriguing. For example, Cheniere is currently working on a facility in Sabine Pass, LA. that was initially built as an import facility, but is being retrofitted. It is expected to be active late 2015.[36]

This venture requires a tremendous amount of capital investment on the front end. A Cheniere representative testified that their other facility is being constructed in Corpus Christi, and is expected to cost approximately $14 billion to build. However, this investment allows them to process a gas often times would be burned off in a flare anyway, and sell it on the global market.

The Baker Institute said that exports would help Europe diversify its natural gas supplies, and allow more money to flow into the United States.[37] Selling natural gas helps close allies like Japan, a country coping with serious energy challenges, while increasing trade and producing significant economic benefits in the U.S. According to the Brookings Institution, selling LNG in the global market is likely to have a positive impact on the U.S. trade balance.[38]

Crude Oil Exports

In 1975, the U.S. enacted limitations on the export of crude oil to prevent exposure to a volatile world market. It followed the peak of U.S. oil production and the realization of heightened U.S. dependency on Persian Gulf oil that became clear during the Middle East conflict. Today's American energy landscape bears little resemblance to that of the 1970s. Oil production is booming in the U.S., and the use of unconventional techniques have unlocked an abundant supply of light, sweet crude oil which many U.S. refineries are no longer designed to process.

Under current law, only processed oil such as gasoline or diesel is free to be exported to the world market. Roughly three million barrels per day of refined oil products were exported in 2012.[39]

Lifting the ban on crude exports to foreign markets would create economic opportunities across the country. The American Petroleum Institute estimates that 18 states could gain over 5,000 jobs each in 2020 if the ban was lifted today. Of those states, Texas is easily the biggest beneficiary with 40,921 jobs and $5.21 billion in estimated income contribution.[40]

Recommendations

1. Continue to develop a trade partnership with Mexico that encourages responsible and reliable access to energy reserves.

2. Support efforts to export LNG to the world market.

3. Encourage Congress to end the ban on crude oil exports.

ENDNOTES

[1] United States Trade Representative, "NAFTA," http://www.ustr.gov/trade-agreements/free-trade-agreements/north-american-free-trade-agreement-nafta
[2] United States Trade Representative, "NAFTA: The Road Ahead," http://www.ustr.gov/sites/default/files/NAFTA-The-Road-Ahead.pdf
[3] Chris Wilson testimony, Joint Interim Committee to Study the Effects of Border Wait Times, 11 Sept 2014
[4] Erik Lee, Chris Wilson, State of the Border Report: A Comprehensive Analysis of the U.S.-Mexico Border Report, 2013.
[5] Chris Wilson testimony, Joint Interim Committee to Study the Effects of Border Wait Times, 11 Sept 2014
[6] U.S. Census Bureau and U.S. Bureau of Economic Analysis. http://www.census.gov/foreign-trade/statistics/country/ and http://www.bea.gov/iTable/index_ita.cfm.
[7] Salgado, Alicia "Mexico: Twenty years of Free Trade." Negocios ProMexico, NAFTA at Twenty edition, June 2014
[8] U.S. Census Bureau, "Foreign Trade Statistics," http://www.census.gov/foreign-trade/statistics/state/data/index.html
[9] Erik Lee, Chris Wilson, State of the Border Report: A Comprehensive Analysis of the U.S.-Mexico Border Report, 2013.
[10] WISERTrade Database search, http://www.wisertrade.org/home/portal/index.jsp.
[11] Wendy Rogers testimony, International Trade & Intergovernmental Affairs Committee, 25 Feb 2013
[12] Government of Canada, "Canada and the United States: Trade and Investment," http://www.can-am.gc.ca/relations/commercial_relations_commerciales.aspx?lang=eng
[13] United States Trade Representative, "U.S.-Canada Trade Facts," http://www.ustr.gov/countries-regions/americas/canada
[14] Wendy Rogers testimony, International Trade & Intergovernmental Affairs Committee, 25 Feb 2013
[15] Government of Canada, "State Trade Fact Sheets: Texas," http://can-am.gc.ca/business-affaires/fact_sheets-fiches_documentaires/tx.aspx?lang=eng
[16] Batheja, Aman. "Some Worry Traffic Issues will Stem Texas' Growth," Texas Tribune. July, 2014. http://www.texastribune.org/2014/07/09/traffic-forecasts-worsen-fears-miracle-slowing
[17] TxDOT, "International Trade Corridor Plan," 2012.
[18] Bureau of Transportation Statistics (BTS), Border Crossing/Entry Data, http://transborder.bts.gov/programs/international/transborder/TBDR_BC/TBDR_BCQ.html, Oct. 2014.
[19] TxDOT Maritime Division, http://www.txdot.gov/inside-txdot/division/maritime/ports.html
[20] National Oceanic and Atmospheric Association,"Gulf of Mexico Summary," http://www.st.nmfs.noaa.gov/st5/publication/econ/Gulf_Summary_Econ.pdf
[21] Tom Marian testimony, International Trade & Intergovernmental Affairs Committee, 14 Nov 2014.
[22] TxDOT, "Texas Rail Plan," November 2010.
[23] Association of American Railroads, "2008 Freight Railroads in Texas fact sheet"
[24] Ibid
[25] TxDOT, "Texas Rail Plan," November 2010.
[26] The International Air Cargo Association. "It's Time to Set Air Cargo Free." http://www.tiaca.org/images/tiaca/PDF/IndustryAffairs/Its%20Time%20to%20Set%20Air%20Cargo%20free.pdf
[27] Sperry, Benjamin R., Jeffery E. Warner, and Jeffrey D. Borowiec. "Evaluation of the Role and Needs of Air Cargo in Texas."
[28] Business Roundtable, "How Texas Benefits from Intl Trade," www.brt.org/trade
[29] Ibid
[30] U.S. Department of Commerce, "Texas Exports, Jobs, and Foreign Investment. Updated Aug. 2014. http://www.trade.gov/mas/ian/statereports/states/tx.pdf
[31] Texas Wide Open for Business, "FDI in Texas 2014," http://governor.state.tx.us/files/ecodev/Foreign_Investment.pdf
[32] Ibid
[33] Port Authority Advisory Committee, "Port Capital Plan 2015-16". http://ftp.dot.state.tx.us/pub/txdot-info/tpp/giww/port-capital-plan-2015-16.pdf
[34] NCSL, "Public-Private Partnerships for Transportation: A Toolkit for Legislators," October 2010 http://www.ncsl.org/documents/transportation/PPPTOOLKIT.pdf

[35] BBVA testimony, Senate Natural Resources Committee, September 2014
[36] Matt Barr testimony, Joint Hearing of International Trade & Intergovernmental Affairs and Energy Resources, September 2014
[37] Baker Institute, "Shale Gas and US National Security," http://bakerinstitute.org/news/shale-gas-and-us-national-security, July 2011
[38] Brookings, "Liquid Markets: Assessing the Case for U.S. Exports of Liquefied Natural Gas," May 2012 http://www.brookings.edu/~/media/research/files/papers/2012/1/natural%20gas-%20ebinger/natural_gas_ebinger.pdf
[39] Council on Foreign Relations, "The Case for Allowing U.S. Crude Oil Exports." http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005
[40] American Petroleum Institute, "Crude Exports Yield Economic Benefits Across 50 States" May 2014