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President Donald J. Trump
The White House
Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President,

The American Fuel & Petrochemical Manufacturers represents more than 95 percent of the U.S. refining sector. Our members purchase crude oil on the world market to produce the gasoline, diesel, jet fuel, and other products that Americans use every day. We are writing as a follow-up to our July 6th, 2017 letter expressing AFPM's concerns with potential sectoral sanctions on the Venezuelan energy industry.

AFPM supports the Administration's goal of bringing stability to Venezuela, but urges you to carefully consider the impact sectoral sanctions will have on U.S. businesses and consumers. In particular, we urge you and your team to consider the following issues.

1. **Venezuela is an important source of heavy crude oil**. In 2016 and on a trailing twelve-month basis, U.S. refiners imported close to three quarters of a million barrels per day of Venezuelan crude. That crude supplied more than 20 different U.S. refineries located primarily along the U.S. Gulf Coast and East Coast. Heavy crude oil, like that produced by Venezuela, is costlier to refine [into gasoline, diesel, and other high value products] and U.S. refineries, especially refineries along the U.S. Gulf Coast, have made substantial investments to process heavy crude, particularly Venezuelan crude.

2. **Sectoral sanctions will destabilize crude markets.** Sanctions that limit U.S. imports of crude oil from Venezuela will make it necessary for U.S. refiners that currently process this crude to secure less than optimal alternative crude supply – less optimal in terms of quality for which the facilities have been designed and less optimal in terms of cost to transport. Yet, sanctions could affect a broader group of U.S. refineries as the supply of heavy crude oil available to all U.S. refineries would shrink, and the cost for non-Venezuelan heavy crude would be bid higher. While the global crude oil markets are currently well supplied, actions by U.S. refiners to replace Venezuelan crude will disrupt the market – and swiftly enacted sanctions could be more destabilizing because of the loss of already planned for supplies of Venezuelan crude oil and the longer transit times for many alternative heavy crude oil supplies.

3. **Refiners do not have suitable alternative sources of supply**. In addition to Venezuela, the major sources of heavy crude imports to U.S. refineries include Canada, which supplies almost 50 percent of heavy imports, Mexico, which supplies 12 percent, and Colombia at eight percent. It is unlikely that Gulf Coast and East Coast refiners will be able to secure additional supply from Canada. East Coast refineries lack direct access to Canadian production and as a result transportation would be shipped using some combination of rail and marine that would be prohibitively costly. Supplying incremental Canadian production to Gulf Coast refiners, assuming it can be made available, would also be costly. Additional supplies from Colombia and Mexico would likely be limited, particularly in the short term.

An additional 10 percent of U.S. heavy crude imports are supplied by Saudi Arabia, Ecuador, Iraq, and Brazil, combined. Longer transit times for these crudes and therefore higher shipping costs would increase U.S. refiners' cost of crude, again if incremental supply can be made available, or existing supply patterns can be altered.

4. **Higher crude prices will likely lead to higher consumer prices**. The higher cost for non-Venezuelan crude oil could significantly impact fuel costs for U.S. consumers and would make U.S. refiners less competitive in the global refined products market.

5. **Extending sanctions beyond crude imports would have additional adverse impacts**. U.S. refineries supply about 50,000 to 75,000 barrels per day of primarily gasoline and diesel fuel to Venezuela. More extensive sanctions that limit U.S. exports of refined products to Venezuela would require that U.S. refineries find alternative, less economic outlets. For Venezuela, this shortfall could be easily made up from the well-supplied Atlantic Basin product market.

In short, sanctions on Venezuela's energy sector will likely harm U.S. businesses and consumers, while failing to address the very real issues in Venezuela. AFPM appreciates your leadership and consideration of our views.

Sincerely,

Chet Thompson
President and CEO

Cc: Hon. Rex W. Tillerson
United States Secretary of State

Hon. Wilbur L. Ross, Jr.
United States Secretary of Commerce

Hon. Steven T. Mnuchin
United States Secretary of Treasury

Lt. Gen. Herbert Raymond McMaster, Jr., USA
Assistant to the President for National Security Affairs

Mr. Gary D. Cohn
Director, National Economic Council