



**Texas
Independent
Producers and
Royalty Owners
Association**

Under bold new orders, White House issues call for action on climate crisis

On Earth Day, U.S. President Joe Biden made a public proclamation setting aggressive new emission reduction targets that call on the United States to cut its greenhouse gas (GHG) emissions to at least half of 2005 levels by 2030, which will become the new U.S. Nationally Determined Contribution (NDC) for the Paris Agreement. The president announced his ambitious environmental goals during the Leaders Summit on Climate, which he hosted virtually on April 22nd, where he challenged other world leaders to work together to combat risks from climate change and limit global warming. In conjunction with the summit, the United States has been working on agreements with other major economies, even adversaries in Russia and China, to secure greater emission reduction commitments abroad and achieve climate goals. Though commitments from heads of other countries to lower emissions are non-binding, efforts to enhance actions on climate demonstrate rising leadership on the issue and have also presented opportunities to accelerate progress to secure a sustainable future.

Back in the United States, President Biden's pledge to lower air emissions is said to set the country on a course to reach net-zero emissions economy-wide by no later than 2050. Some of the pathways that have been considered to help America achieve emission reduction targets formally set by the executive branch could result in big changes for the energy, electricity, transportation and industrial sectors. Officials, for instance, are looking at lowering carbon pollution from transportation vehicles by reducing tailpipe emissions and boosting the efficiency of cars and trucks, and have called for efficiency upgrades and adoption of modern energy codes for the construction of new buildings. The administration is also supporting greater use of "clean" energy to power industrial facilities, and encouraging U.S. companies to deploy strategies like carbon capture, a process by which carbon dioxide emissions are captured, transported to a storage site and deposited so emissions will not enter the atmosphere.

In response to the president's new goals to lower GHG emissions and advance climate progress, members of the energy sector affirmed their commitment to continuously improve the industry's environmental performance, reinforcing actions that have already been taken by oil and gas producers to drive innovations and lead on solutions that will minimize emission output. As part of a larger Earth Day message sent to the media, Ed Longanecker, president of the Texas Independent Producers & Royalty Owners Association (TIPRO), last Thursday offered the following insight: "As a result of an ongoing commitment and voluntary actions taken by U.S. oil and natural gas companies, methane emissions from oil and natural gas systems are down 23 percent since 1990, according to 2020 data from the EPA's *Inventory of U.S. Greenhouse Gas Emissions and Sinks*. Also, since 2005, total U.S. GHG emissions have dropped by 12 percent and total GHG emissions from fossil fuel combustion have decreased nearly 15 percent. No other nation has cut carbon dioxide (CO₂) emissions more than the U.S. since 2000. The increased use of market-competitive natural gas is also a key reason U.S. energy-related CO₂ emissions are at their lowest levels in a generation."

[Read more about the White House's climate actions on Page 7...](#)

Texas joins lawsuit against federal mandate setting social cost for emissions

The state of Texas has joined a multi-state lawsuit to stop the Biden Administration from carrying out federal directives which the states argue is an example of federal overreach that could lead to significant burdens imposed on the American people. Specifically, Texas, and 9 other states, are suing the Biden Administration over Section 5 of Executive Order 13990, in which the president formed a working group comprised of federal bureaucrats tasked with calculating the monetized value and social costs of certain emissions, including carbon dioxide, methane and nitrous oxide. The end goal of the administration is to enact new environmental regulations based upon these "social costs."

"The use of these values will result in the most expansive and expensive environmental regulatory initiative in history and affects virtually every federal agency," said Texas Attorney General Ken Paxton. "These estimates will be used to fundamentally transform the entire regulatory structure of the federal government, as well as the way Texas conducts its business and Texans manage their lives. This puffed-up Executive Order was not approved by Congress or the American people, and it flies in the face of the Founders' vision of state sovereignty and the free market. This is a dangerous act of overreach led by President Biden's unaccountable environmentalists."

The coalition of states contend that the federal government's establishment of a working group has failed to follow notice-and-comment procedures as required by the Administrative Procedure Act (APA), and allow for a unilateral and arbitrary attack on state sovereignty and individual liberties by permitting federal agencies to use arbitrarily assigned costs or benefits, whichever they choose, to nearly any regulatory action, environmental impact studies, mitigation costs, and other regulatory decisions from the U.S. government. These values have the ability to fundamentally transform the entire regulatory structure of the federal government, as well as the way states conduct business, and Americans live, and very well could allow pervasive rulemaking and decision-making putting every aspect of the economy under risk. As such, the states are asking the courts to vacate and enjoin this effort from the Biden Administration.

President's message

Dear TIPRO Members,

This week, I was honored to testify before the Texas House Appropriations Committee in support of House Joint Resolution (HJR) 82, which proposes a constitutional amendment to create the Generate Recurring Oil Wealth for Texas Fund ("GROW Texas Fund"). This resolution, if passed by the legislature and adopted by voters, would help to direct tax revenue generated by the oil and natural gas industry to the very counties where production is occurring to support local issues impacting the industry, including constructing new highways and maintaining public roads, enhancing education related resources and creating more opportunities for the workforce.

The GROW Texas HJR is one of hundreds of state legislative issues that TIPRO is currently tracking and advocating for on behalf of our members and industry. Some of the other legislative proposals we are watching closely relate to Winter Storm Uri, including several policy measures which would add unnecessary requirements for producers. Mandated weatherization for operators, for instance, would needlessly drive-up costs, decrease competitiveness and adversely impact over 80 percent of upstream and midstream activities that do not serve power generators placing electricity on the grid. Texas should although require weatherization of all power generators, whose sole purpose is to provide electricity to the grid, as well as natural gas facilities directly connected to power generation, many of which already have weatherization measures in place. As we heard in public testimony from Texas Railroad Commission (RRC) Chairman Christi Craddick, ultimately maintaining electricity to the well site and distribution chain is the best way to weatherize. TIPRO and our industry partners support the following solutions in relation to Winter Storm Uri legislation:

- **SUPPLY CHAIN MAPPING AND CONTINUITY** - Supply chain continuity is essential to allow for continued power generation and sufficient supply of resources needed to respond in emergencies. Starting with power generators, whose sole purpose is to supply electricity to the grid, a mapping of the facilities and assets directly providing services to generation facilities and that are essential to providing electricity for human needs is a critical component to ensuring proper prioritization of load. Entities can self-designate as critical load through a structured process that is fully clarified, includes adequate communication and allows flexibility enabling utilities to properly manage loads.
- **HIGHLY COORDINATED COMMUNICATIONS** - Formalizing the Texas Energy Reliability Council (TERC) is also essential for communication coordination. TERC should include at a minimum, Texas Department of Emergency Management (TDEM), the RRC, the Public Utility Commission (PUC), Electric Reliability Council of Texas (ERCOT), Texas Commission on Environmental Quality (TCEQ) and the Texas Department of Transportation (TxDOT), natural gas pipeline operators, natural gas producers, refinery operators, industrial/manufacturing/chemical companies, and telecommunications companies.
- **WEATHERIZATION OF POWER GENERATION AND DIRECTLY CONNECTED NATURAL GAS FACILITIES** - Independent reports confirm that power generation units of multiple fuel sources failed to respond appropriately during Winter Storm Uri. The tripping off of power generation during early stages of the storm resulted in a cascading effect of power outages, impairing the ability of critical infrastructure to respond. Reliability must start at the source of placing electricity on the grid. Texas should require weatherization of all power generators, whose sole purpose is to provide electricity to the grid, as well as natural gas facilities directly connected to power generation.
- **ENSURING PRICING STABILITY AND TRANSPARENCY** - Reforming the ERCOT market scarcity pricing, especially during emergency situations, is an important first step in maintaining reliability and financial stability for all market participants. High scarcity prices that usually encourage generators to make resources available did not work in Winter Storm Uri. In these situations, an alternative pricing structure should kick in to prevent the extreme financial impacts experienced during severe storms or weather emergencies.
- **INTERMITTENT GENERATION** - Texas should ensure that intermittent power generation facilities whose sole purpose is to sell electricity to the ERCOT grid are appropriately accountable for the financial and reliability impacts of their intermittency. This includes requiring intermittent resources to secure replacement power, share in the costs of ancillary services and potentially operate under a separate scarcity pricing regime to promote dispatchable generation reserves.

As with all legislative issues, it remains crucial that our state lawmakers are well informed about policy reforms that could have significant impact to our governing rules, including those that call for the implementation of new measures to ensure our energy supplies, fortify the electric grid and improve responses in an extreme weather emergency and prevent future breakdowns from ever happening again. This week, Texans for Natural Gas (TNG) - A TIPRO Campaign, published a new report entitled *In From the Cold: An Analysis of Natural Gas Supply and Demand* (viewable at: <https://bit.ly/3nwB2Zu>), which examines how natural gas supported the state's energy needs at a critical time during the storm. As highlighted in the report, when temperatures across the state cratered on February 14th at around 8 p.m., demand started to rapidly increase, reaching levels not seen in about a decade. Demand increased across all areas of Texas, but especially in the North Central, Coast, and South Central regions, home to the largest cities in the state including Dallas, Houston, and Austin. In the days leading up to and during the storm, natural gas still outperformed other energy sources (like wind, coal, solar, and nuclear), generating more than 900,000 kilowatt hours at its peak. Natural gas kept homes warm and prevented blackouts from occurring earlier and lasting longer. Natural gas provided over four times the output it normally covers. As a fuel source, natural gas is unique in its ability to ramp up, even during extreme weather, which is why it is the backbone of the Texas power grid. This kind of analysis has been published at an important point in the legislative session, and we hope will be remembered by legislators as they spend their final weeks working on reforms.

These are just a few of the issues that TIPRO is working on for our members and industry. With the weeks numbered before the end of session, I want to also take a moment to invite all of our members to join us in Austin next month for TIPRO's Energy Sine Die Reception that will celebrate the end of the 87th Texas Legislative Session. The event will take place on the final day of the regular session, on Monday, May 31, 2021, from 4:30 p.m. – 7:00 p.m. in the Capitol Center Lobby Building located at 919 Congress Avenue. Sponsorships are currently available - please contact TIPRO at your earliest convenience to discuss opportunities to support the association's Energy Sine Die Reception. Thank you for your ongoing support.



Ed Longanecker

Three representatives appointed to SWIFT Committee by House speaker

Earlier this month, Speaker of the Texas House Dade Phelan (R-Beaumont) announced the appointment of three state representatives to the State Water Implementation Fund for Texas (SWIFT) Advisory Committee. This legislative panel oversees the overall operation, function and structure of the state's water fund and infrastructure bank - referred to as SWIFT - that provides financing for water supply projects developed to ensure Texas has adequate supplies of water for future generations. The committee also provides recommendations to the Texas Water Development Board (TWDB), which administers SWIFT, on the prioritization of projects submitted for assistance, the types of projects that qualify for conservation and other goals identified by the legislature.

Speaker Phelan, a past SWIFT advisory committee member himself, said on April 13th he has chosen to appoint Representative Cody Harris (R-Palestine) as a presiding officer of the legislative committee, as well as Representative Alex Dominguez (D-Brownsville) and Representative Mayes Middleton (R-Wallisville), who will serve as members of the advisory board.

"I am proud to appoint Representatives Dominguez, Harris, and Middleton to the SWIFT Advisory Committee," commented Speaker Phelan. "Having previously served on this committee myself, I know firsthand the commitment and dedication it takes to ensure this vital committee is effective and productive when it comes to water planning, development, and conservation. I have full faith in these members and their understanding of our state's water challenges and look forward to their development of creative solutions for a rapidly growing Texas."

Brooke Paup appointed chair of the Texas Water Development Board

Brooke Paup has been named chairman of the Texas Water Development Board (TWDB) by Texas Governor Greg Abbott, for a term that will expire at the pleasure of the governor. She is the first female to be named chairman of TWDB, which provides leadership, planning, financial and technical assistance for the responsible development of water for the state of Texas.

Paup has served as a member of the TWDB since February 2018, already having been appointed for two terms by the governor. Previously, she served for three years as the director of legislative affairs for the Texas Comptroller of Public Accounts where she led a team of legislative professionals on efforts to address statutory tax reforms. Paup earlier in her career also worked as deputy division chief of intergovernmental relations and former special assistant for policy and research in the office of the Attorney General, where she focused on legislative issues, special litigation, and public finance, notably House Bill 4 and Senate Joint Resolution 1 in the 83rd Legislative Session, which created the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT).

Public comment now being accepted on Texas' Draft 2022 State Water Plan

The Texas Water Development Board (TWDB) is currently accepting comments from the public on the Draft 2022 State Water Plan, a robust framework used to manage Texas' water supply needs. Relying on updated water science, the latest data and other analytic tools, the 2022 State Water Plan developed by the TWDB sets forth thousands of specific, actionable strategies and projects across the state to enable Texas to withstand future droughts or severe water events. The water plan is updated and adopted every five years by government leaders - the 2022 version will be the eleventh state water plan to be prepared. TIPRO members may view the current draft of the state's water plan by visiting: <https://bit.ly/3vncjcl>.

"To secure its future water supply, Texas utilizes a unique strategy integrating science, planning, and financing—and the state water plan is the cornerstone of that strategy," described former TWDB Chairman Peter Lake, who recently departed the water board for an appointed position at the Public Utility Commission (PUC).

"With a projected 73 percent population increase over the next 50 years, it is more important than ever that Texas is prepared to meet the state's growing water demands," added TWDB Board Member Kathleen Jackson. "With a total capital cost of \$80 billion, the Draft 2022 State Water Plan identifies approximately 5,800 strategies that Texas communities can use to meet their water needs over the next 50 years."

Although the plan comes with a hefty \$80 billion cost over its lifespan, if strategies are not implemented, consequences could be dire -- officials estimate that without concrete water plans, Texas could face a 6.9-million-acre-foot water shortage and economic losses of approximately \$153 billion in 2070 in the event of a drought of record.

The Draft 2022 State Water Plan emphasizes conservation as a leading water management tactic. For the first time, the plan has an entire chapter exclusively dedicated to water conservation practices, with additional discussion on agency initiatives and new legislative requirements in the planning process regarding setting conservation goals. "Conservation remains the most frequently recommended strategy by regional water planning groups and makes up almost 30 percent of strategy supply volumes in 2070," said Brooke Paup, who was just appointed as the new head of the TWDB.

The deadline to provide input on the next version of the State Water Plan is May 26, 2021. Stakeholders may submit comments via email at public-comment@twdb.texas.gov. Written comments may also be mailed to Melinda Smith, Water Supply Planning Division, TWDB, P.O. Box 13231, Austin, Texas 78711-3231.

The TWDB will also receive public comment on the Draft 2022 State Water Plan at a hearing that is scheduled to be held on May 24, 2021, at 1:00 p.m. The hearing will be held in Austin at the Stephen F. Austin Building, located at 1700 North Congress Avenue, Room 170, and also viewable online via GoToWebinar at the link that follows: <https://bit.ly/331N7fG>.

After consideration of public comments, the Board will adopt the 2022 State Water Plan at a regularly noticed and scheduled TWDB meeting tentatively scheduled to be held in July 2021. The TWDB will then submit the final State Water Plan to the governor, lieutenant governor, and the Texas Legislature in January 2022.

For questions regarding the Draft 2022 State Water Plan, please contact Temple McKinnon at Temple.McKinnon@twdb.texas.gov.

Texas set to gain two additional congressional seats following the 2020 census

The state of Texas will add two more representatives to its roster in Congress after the completion of the 2020 Census, which counts the population of states to apportion appropriate levels of seats in the U.S. House of Representatives among the 50 states.



The U.S. Census Bureau announced results from last year's census on Monday, April 26, revealing population totals for the nation and the states as well as the congressional apportionment totals for each state. According to Census estimates, as of April 2020, there were 331 million people in the United States, representing a rise of 7.4 percent, or 22.7 million individuals from the last Census performed in 2010. The most populous state in the country was California, the U.S. Census showed, with 39.5 million residents tallied in the Golden State. Texas meanwhile experienced the largest gains of any state in the nation the past decade in population levels, with resident population in the state expanding by nearly 4 million to 29,145,505. The rise in Texas' population growth has largely been driven by residents of color, particularly Hispanics, census data showed.

With population rates soaring in the Lone Star State, Texas is now due to see its share of votes in the U.S. House of Representatives increase to 38 for the next decade, up from the current 36 House members serving as part of Texas' delegation. After this change, the state will have 40 total votes in the Electoral College, when also including the two officials from Texas serving in the U.S. Senate. This is the largest number of seats the state has ever had in the federal legislative branch, which will allow the state to further amplify its influence and power in the nation's capital.

More detailed data will likely not be released by officials until the Fall, where the information will then be used by lawmakers to work on redrawing congressional districts to reflect changes in the population and new concentration of American residents.

Longtime Texas GOP Representative Kevin Brady announces retirement

U.S. Congressman Kevin Brady (R-The Woodlands), one of Texas' most senior members in Congress, announced in mid-April that his current term would be his last, and he will not run for re-election in 2022. Brady, now serving his 13th congressional term, has spent 25 years in the nation's capitol representing the Eighth Congressional District of Texas. He has had a heavy influence on the nation's tax policies as chairman of the powerful Ways & Means Committee in the U.S. House since 2015, and was a key player leading historic reform in 2017 of America's tax code. Congressman Brady was author of the *Tax Cuts and Jobs Act*, described as the nation's biggest rewrite of tax law in a generation.

Addressing speculation over possible reasons for his departure from elected office, Congressman Brady did acknowledge that the conclusion of his chairmanship of the Ways & Means Committee was on his mind when thinking about retirement. "As you may not know, because Republicans limit committee leadership to six years, I won't be able to chair the Ways and Means committee in the next session when Republicans win back the House majority," said Congressman Brady. "Did that factor in? Honestly, some."

Still, the representative maintains his love of the job, and expressed his pride in working with presidents and lawmakers from both parties to redesign America's broken tax code, pass the new United States-Mexico-Canada trade agreement, and end the 40-year ban on selling of U.S. crude oil overseas.

"I set out to give my constituents the representation you deserve, the effectiveness you want and the economic freedom you need. I hope I delivered. It's a remarkable privilege to work for you in the U.S. House of Representatives," he stated.

Over the years, TIPRO has developed a relationship with the congressman, and the TIPRO Board of Directors was pleased to receive a federal policy update from Congressman Brady last September during an association board meeting.

Congressman Brady is not the only member of Texas' congressional delegation to recently announce their final term. In March, U.S. Congressman Filemon Vela (D-Brownsville) said he would not seek reelection next year to the U.S. House. Congressman Vela is a member of the House Agriculture Committee, where he serves as the chairman of the General Farm Commodities and Risk Management Subcommittee, and also sits on the House Armed Services Committee. During his time in office, he has been supportive of the development of both traditional and renewable energy resources in Texas.

Tax policies for oil and gas production, including IDCs, reviewed by congressional panel

While President Joe Biden was in the Oval Office unveiling his greenhouse gas emission reduction targets for the country, members of Congress spent time on Earth Day also discussing environmental progress in the United States and reviewing pathways to combat global climate change through government action. Members of the U.S. House Committee on Oversight and Government Reform's Subcommittee on Environment hosted a remote hearing last Thursday, April 22nd to talk about climate change, air emissions and the role of America's fossil fuel industry in providing affordable and reliable energy for the world's growing demand while simultaneously leading in industry emission management and environment sustainability efforts. The subcommittee focused much of its discussion during last week's hearing on so-called "tax subsidies" for oil and natural gas production, a false and inaccurate classification of normal business deductions and tax provisions utilized by oil and natural gas companies to support investment in domestic energy development. Tax policies like the Intangible Drilling Costs (IDCs) and percentage depletion, often targeted by anti-oil and natural gas factions, were under the microscope, and once again appear to be vulnerable to repeal by politicians. These tax provisions are relied upon by independent oil and gas producers, who need the tax deductions to be able to reinvest in new projects and continue drilling for energy.

Texas Congressmen introduce new bipartisan bill to expand liquified natural gas exports

Making a push for Congress to provide greater access to America's clean-burning and affordable natural gas supplies, on Tuesday, April 20, Texas Congressmen August Pfluger (TX-11) and Henry Cuellar (TX-28) introduced in the U.S. House the *Natural Gas Export Expansion Act*, bipartisan legislation that seeks to expedite approval of all liquified natural gas (LNG) export permit applications to any country except those subject to sanctions or trade restrictions imposed by the United States, or those excluded by the president for Congress for reasons of national security. The *Natural Gas Export Expansion Act* specifically would amend the *Natural Gas Act* so that applications to export domestically-produced LNG to certain non-free trade countries would be treated the same as free trade countries and deemed to be consistent with the public interest, making it easier for U.S. energy companies to sell natural gas to the international market. The policy measure also offers greater certainty to U.S. producers and would help ensure that the LNG export review process is not arbitrarily lengthened again in the future. The Act's companion bill in the Senate was already introduced earlier this spring by another Texas official, Senator Ted Cruz (R-TX). TIPRO first reported on this policy measure in the April 1st edition of *The TIPRO Target* newsletter -- members are encouraged to revisit this past issue for more details on the *Natural Gas Export Expansion Act* as proposed in the U.S. Senate.

"Natural gas is a critical component of our national security and energy strategy that has made the United States a world leader in energy," said Congressman Pfluger. "As our world recovers from the impacts of the global pandemic and we look towards the future, it is critical for the federal government to get out of the way and allow private industries the freedom to innovate and export our clean, affordable, reliable energy to the world. This bill builds on the work of the previous administration by cutting the red tape and regulations that delay and prevent private companies from exporting liquid natural gas to countries around the globe will have a myriad of benefits—from reducing global emissions, to promoting gas capture, and most importantly, bolstering national security for the United States and our allies."

LNG exports from the United States hit record highs at the end of 2020, with U.S. LNG exported to 38 countries last year. Legislative action offered through the *Natural Gas Export Expansion Act* would help not only further bolster America's natural gas industry and support energy jobs, it would also benefit American foreign policy by reducing international dependence on hostile sources of energy like Russia and Iran. Further, the bill also promotes global emission reductions by allowing oversea partners to utilize energy sources produced in America, which has higher environmental standards than anywhere else. The U.S. has one of the lowest flaring intensity levels in the world and methane emissions from U.S. natural gas production have decreased nearly 25 percent since 1990—all while natural gas production grew more than 70 percent. Of note, a 2019 Department of Energy report conducted by the National Energy Technology Lab concluded that U.S. LNG exports resulted in reduced emissions abroad.

"As the world's leading producer of clean, affordable, and reliable natural gas, we have the ability to become a key trailblazer in global energy-export markets. This legislation will reduce regulations to export LNG, allowing us to strengthen our allies abroad. Increasing LNG exports will create jobs, promote economic growth, and advance our national security," Congressman Cuellar added. "As a co-founder of the Energy-Export Caucus, I am committed to implementing common-sense energy policies that boost opportunity, prosperity and security in the United States."

President Biden announces environmental advocate as pick for BLM director

As part of a fresh wave of nominations submitted to the U.S. Senate for consideration, President Joe Biden in April nominated Tracy Stone-Manning to become director of the U.S. Bureau of Land Management (BLM). Stone-Manning is currently a senior adviser for conservation policy at the National Wildlife Federation, where since 2017 she has advocated for the stewardship of the nation's lands and waters. Before joining the Federation, she worked as then-Montana Governor Steve Bullock's chief of staff, where she oversaw day-to-day operations of his cabinet and the state's 11,000 employees. She stepped into that post after serving as the director of the state's Department of Environmental Quality, managing the state's water, air, mining and remediation programs. Earlier in her career, Stone-Manning also served as a regional director and senior advisor to Senator Jon Tester during his first term, focusing on forestry issues.

Celebrating its 75th year of federal land management in 2021, the BLM today oversees about 245 million acres of public landscapes for the benefit of all Americans. The agency is responsible for managing a wide range of uses on public lands, including oil and gas drilling operations and energy development. Notably, the bureau is supporting the U.S. Department of Interior in its comprehensive review of the federal oil and gas program as called for in Executive Order 14008. If confirmed as chief of public lands, Stone-Manning would help guide work at an agency center to the administration's energy and conservation agenda, and implement policies resulting from the government's overhaul of the oil and gas programs to improve stewardship of public lands and water.

Stone-Manning's nomination will now be considered by the U.S. Senate. In the interim, while the BLM has awaited confirmation of a new leader, Nada Wolff Culver, the deputy director of policy and programs at the bureau, has exercised delegated authority of the BLM director.

TIPRO CALENDAR OF EVENTS

MAY 3, 2021

CONFERENCE CALL — TIPRO
State Issues Committee meeting.
For information, please email
rpaylor@tipro.org.

MAY 10, 2021

CONFERENCE CALL — TIPRO
State Issues Committee meeting.
For information, please email
rpaylor@tipro.org.

MAY 17, 2021

CONFERENCE CALL — TIPRO
State Issues Committee meeting.
For information, please email
rpaylor@tipro.org.

U.S. Interior Department cancels oil and gas lease sales on public lands through June

Officials with the U.S. Interior Department's Bureau of Land Management (BLM) said in late April that the federal government at this time is exercising its discretion to not hold oil and gas lease sales in the second quarter of calendar year 2021. The decision comes as the Biden Administration continues its review of the federal oil and gas program, as mandated under President Joe Biden's Executive Order 14008. The BLM said the decision will not have an impact on existing operations or drilling permits for valid, existing leases.



The BLM, which administers 700 million acres of subsurface mineral estate throughout the nation, first paused new oil and natural gas leasing on public lands and offshore waters in January, at the direction of the new president, to examine if the leasing program provides fair value and return of mineral development to taxpayers and also weigh the impact of energy development on federal lands as it relates to climate change. The action was met with heavy criticism and opposition from the oil and gas industry, and officials from energy-producing states, who have warned that the prevention of leasing has resulted in real economic consequences threatening thousands of well-paying jobs of hard-working Americans and hurting U.S. businesses already struggling from the impact of the COVID-19 pandemic on energy use and market instability. Entities that also benefit from revenue generated by energy production on federal lands are also being impacted, including state and local governments, public

education systems, and other critical public services and initiatives. Oil and gas advocates further argue that significant curtailment of new oil and natural gas leasing will cause a reduction in the country's domestic energy supply, which could lead to larger imports of oil and natural gas from countries with lower environmental standards.

In Fiscal Year 2020, the federal government took in about \$8 billion in royalties and other payments on oil and gas from federal lands, according to the Office of Natural Resources Revenue (ONRR). Much of that money was sent back to the states and Tribal areas where drilling and energy production occurred. Texas, for instance, received approximately \$99.36 million in FY 2020 energy revenue.

Lawsuits were also previously filed by a coalition of states, including Texas, earlier this year asking the courts to vacate the president's orders and compel the Interior Department to resume lease sales according to their previous schedules with reasonable modifications. The state of Wyoming has also filed a separate petition on its own with the court pushing for federal oil and gas lease sales to resume. Legal challenges have also been filed from oil and gas industry groups.

The Biden Administration has not provided a firm end date for its review of the nation's leasing program, nor said precisely when it expects to resume oil and gas lease sales on public lands, though in early Summer the Interior Department is planning to release an interim report that is likely to reveal longer term plans for lease sales.

Interior Dept. stalls Trump rule that would amend value of oil and gas produced from federal leases

The Biden Administration is pushing out the effective date of a federal rule that adjusts the manner in which the federal government values oil and gas produced on federal leases for royalty purposes. As published by the Office of Natural Resources Revenue (ONRR), a branch of the U.S. Department of Interior, the rule developed in 2020 by the previous administration originally had an effective date of February 16, 2021, but will now be suspended from adoption until November 1, 2021.

The final rule entitled "ONRR 2020 Valuation Reform and Civil Penalty Rule" ("2020 Rule") already was delayed once by the Biden Administration, and government officials say a second delay of the regulation's effective date is necessary to avoid placing undue regulatory burdens on lessees caused by allowing the 2020 Rule to go into effect while ONRR considers whether it will revise the regulation or withdraw the rule entirely.

During the first delay of the rule in February, the ONRR opened a 30-day comment period for additional engagement opportunities concerning the regulation, inviting public comment on the facts, law and policy underlying the 2020 Rule, the effect of the 60-day delay and impacts of a potential further delay. The ONRR reports that 1,339 pages of comment material were received during this comment window from stakeholders representing industry members, trade associations, environmental groups, non-governmental organizations, states and members of the general public. ONRR indicates that some received comments (in response to the first delayed rule) identified potential defects with the 2020 Rule—both substantively and procedurally. In addition, since the publication of the 2020 Rule, ONRR's 2021 reexamination has identified other potential shortcomings of the 2020 Rule.

Proponents of the rule have said it would ease burdens on regulated industries, provide regulatory certainty and clarity to states, Tribes and stakeholders, and remove unnecessary and burdensome regulations for domestic energy production. Opponents meanwhile contend that the regulation unfairly adopts changes that would let companies pay less money to the taxpayers since it lowers royalties paid by some companies by allowing them to ask the government for transportation cost allowances that exceed the current cap of 50 percent of the oil's royalty value. It has also been said that the rule would let some gas companies pay fewer fees by allowing them to ask the government for processing cost allowances that exceed the current cap of 66.66 percent.

ONRR, the agency charged with collecting and distributing royalties, said that based on comments received from the first rule delay, the office has determined there may be legitimate basis for a litigation challenge to the 2020 Rule. During this second period of delay, ONRR said it will conduct factual and legal research to address the issues raised. In the event ONRR finds it appropriate to withdraw or modify the 2020 Rule, it said it will publish a proposed rule and seek public comment.

Biden Administration establishes new Net Zero Producers Forum with international partners

Last week, in conjunction with President Joe Biden's Leaders Summit on Climate hosted on Earth Day, the U.S. Department of Energy unveiled new global partnerships that have been established to tackle the global climate crisis and advance an equitable transition to a net-zero future. The effort will help America meet the Biden Administration's ambitious domestic goals of net-zero emissions by mid-century, said the Department of Energy, and allow major oil and gas producing nations to collaborate on solutions to keep the Earth's air clean.

The U.S. Department of Energy, together with the energy ministries from Canada, Norway, Qatar, and Saudi Arabia, has created the Net Zero Producers Forum (NPF), a cooperative forum that according to officials will focus on creating pragmatic net-zero strategies, including methane abatement, advancing the circular carbon economy approach, development and deployment of clean-energy and carbon capture and storage technologies, diversification from reliance on hydrocarbon revenues, and other measures in line with each country's national circumstances. The four nations that have agreed to participate in the NPF collectively represent 40 percent of global oil and gas production, and are leading suppliers of hydrocarbons to international markets. The inaugural meeting of the NPF will take place Fall 2021, reported the Department of Energy.

White House issues new climate orders... continued from Page 1

Contrary to some of the apocalyptic headlines that have been pushed by certain politicians and anti-fossil fuel activists, U.S. oil and natural gas companies have led in developing groundbreaking technologies positioned to reduce GHG gases, including large-scale commercial carbon capture, use and storage (CCUS), direct air capture, air to fuels, fuel cells and more. TIPRO also cites work of the Texas Methane & Flaring Coalition (TMFC), a voluntary coalition of companies and organizations including TIPRO focused on improving the energy industry's environmental performance, which has brought together partners to collaborate on solutions to minimize flaring and methane emissions. "Oil and gas producers and energy companies of all sizes are also taking action through other programs and initiatives to continue to achieve comprehensive environmental goals," emphasized the president of TIPRO.

As oil and gas companies continue to strive to find new innovative ways to reduce emissions, minimize flaring, and responsibly develop energy resources, producers also continue to drive the economic recovery for the country after last year's pandemic. According to a TIPRO analysis, upstream employment in Texas, for instance, continues to improve along with commodity prices and global demand, with an increase of over 5,000 direct jobs in this sector in the first quarter of 2021 compared to the fourth quarter of 2020. While the administration and government officials review the impacts of climate change and consider new regulatory actions to meet goals set forth by President Biden, it remains essential that appropriate and balanced solutions be developed in a methodical approach that will not stifle economic growth, threaten the nation's energy security and continue to allow operators to produce affordable, reliable energy.

Interior Secretary revokes series of past Secretarial Orders from Trump era

In mid-April, U.S. Secretary of the Interior Deb Haaland issued new Secretarial Orders pulling past agency directives deemed out of alignment with priorities of the Biden Administration, and establishing new guidelines on how the Interior can pursue actions on climate change, a top concern of cabinet leaders serving in the Biden White House.

Importantly, Secretary Haaland announced on April 16th the following orders concerning domestic energy matters have been revoked for being inconsistent with the department's new commitment to addressing climate change and building a clean energy future:

- Secretarial Order 3349 - implementing agency actions directed by President Donald Trump's Executive Order entitled "Promoting Energy Independence and Economic Growth";
- Secretarial Order 3350 - enhancing opportunities for energy exploration, leasing and development offshore on the Outer Continental Shelf and providing for regulatory certainty for OCS activities;
- Secretarial Order 3351 - strengthening the Department of Interior's commitment to an America's first energy strategy that will boost the nation's energy portfolio;
- Secretarial Order 3354 - supporting and improving the federal onshore oil and gas leasing program by promoting the exploration and development of mineral resources on federal lands and ensuring quarterly lease sales are held at least quarterly;
- Secretarial Order 3358 - establishing the Executive Committee for Expedited Permitting to resolve permitting backlogs and regulatory delays that have slowed development of the nation's conventional and renewable energy resources.

The Interior confirms that the withdrawal of these past orders by Secretary Haaland will not impact the department's ongoing review of proposals for oil, gas, coal, and renewable energy development on public lands and waters.

Meanwhile, Secretary Haaland also last week signed a new order prioritizing action on climate change and creating a departmental Climate Task Force that will coordinate work across all of the Interior's bureaus and offices to tackle the climate crisis and provide counsel to the secretary on strategies to reduce climate pollution, protect public health and conserve department-managed lands. Secretarial Order 3399 also provides guidance on how science should be used in the decision-making process and improves transparency and public engagement in the department's decision-making process. The order further provides policy instruction to ensure that the level of National Environmental Policy Act (NEPA) analysis across department bureaus is not diminished, that climate change is appropriately analyzed, and that Tribes and environmental justice communities are appropriately engaged.

"From day one, President Biden was clear that we must take a whole-of-government approach to tackle the climate crisis, strengthen the economy, and address environmental justice," said Secretary Haaland. "At the Department of the Interior, I believe we have a unique opportunity to make our communities more resilient to climate change and to help lead the transition to a clean energy economy. These steps will align the Interior Department with the president's priorities and better position the team to be a part of the climate solution."



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