



THE TIPRO TARGET

State legislature approves bills allowing Texas to fight national efforts to eliminate fossil fuels



**Texas
Independent
Producers and
Royalty Owners
Association**

The Texas Independent Producers & Royalty Owners Association (TIPRO) is applauding the recent passage of several bills by members of the Texas legislature that will help empower the state to protect the oil and gas industry from political agendas attacking fossil fuel development and other detrimental policies threatening to restrict equal access to energy supplies.

At the start of the month, members of the Texas House of Representatives voted to approve Senate Bill 13, which seeks to deter companies that divest from, boycott or sanction the fossil fuel industry by prohibiting state investments and requiring state divestment in companies that boycott these energy companies. TIPRO supported the House and Senate versions of this legislation.

"Unfortunately, we have seen a growing trend of efforts to influence bank lending and investment practices tied to the oil and natural gas industry, which result in distorting capital allocation, raising energy costs for consumers and threatening economic growth for Texas and the United States," commented TIPRO President Ed Longanecker. "Texas leads the country in oil and natural gas production, and our industry supports over 30 percent of the state economy. Companies that intentionally target and divest from our state's energy sector should not be rewarded with our tax dollars. TIPRO is proud to support legislation that fights back against energy discrimination for the benefit of all Texas citizens."

Additionally, members of the Texas Senate voted on May 4th to approve legislation that will preserve the right of Texans to have access to energy choices, including natural gas. House Bill 17, authored by state Representative Joe Deshotel (D-Beaumont), amends the Utilities Code to prevent Texas cities and towns from banning natural gas hookups in new construction. "A growing number of cities across the country are restricting or banning natural gas hookups in new buildings and construction. This trend has reached Texas with some cities considering proposals to phase out the use of natural gas hookups," described Longanecker. "TIPRO supported House Bill 17 to preempt local measures restricting or banning utility service based on the type or source of energy that will be delivered in order to preserve customer choice and allow all Texas homeowners, builders and businesses the opportunity to decide how to meet their own energy needs. Affordable energy is the backbone of the Texas economy, and it is critical that we ensure households and businesses can continue to benefit from all of our state's abundant resources. We applaud the Texas Senate for their backing of consumer choice with the passage of House Bill 17 and appreciate Governor Abbott previously expressing his support for this legislation."

With the approval from the House and Senate chambers, House Bill 17 has been sent to the governor for his signature into law. Senate Bill 13 is also currently being worked on in a conference committee as the House and Senate chambers sort out differing amendments made to the original bill.



Texas comptroller offers improved fiscal outlook to state leadership

State lawmakers were relieved to learn in early May that fiscal projections for the state budget may not be as dire as originally anticipated when elected officials first gaveled in for work during this year's legislative session. Recent months have offered a rise in economic activity, higher oil and gas tax collections and other stimulus that combined has supported public funds, providing a much-needed boost to government coffers. As such, in a letter sent on May 3rd to state leadership and legislators, Texas Comptroller Glenn Hegar announced upward revisions to the Biennial Revenue Estimate (BRE), a fiscal assessment used by legislators as a formal estimate of the amount of money available to spend through the two-year state budget cycle.

In January, at the onset of the 87th Legislative Session, the comptroller told legislators that approximately \$113.88 billion would be available for general-purpose spending in 2022-23. Now, the comptroller estimates that \$115.65 billion is in fact available for the approaching budget cycle.

"When we finalized our economic forecast for the January BRE, COVID-19 case counts and hospitalizations were on the rise, and the rollout of vaccines had just begun," explained Comptroller Hegar. "Those conditions warranted caution about the near-term economic outlook. Since then, case counts and hospitalizations have plummeted, many restrictions have been lifted and economic activity in the state — and across the country — has accelerated."

Read more about the comptroller's updated revenue estimate on Page 4...

Chairman's message

TIPRO Members,

While it is difficult to worry about winter when the temperatures are hovering in the mid-80s, concerns from Winter Storm Uri this past February remain a hot topic in Austin by our state legislators. Solutions that have been proposed by the legislature to mitigate these unfortunate issues in the future are now advancing through the legislative process, as the Regular Legislative Session comes to a close. This storm was the worst experienced in Texas since the late 1800s, left nearly 5 million people without power and illustrated some very fatal flaws in Texas electricity grid and power generation systems. As of this writing, a lot of the problems have been identified and viable solutions are being seriously considered. Three bills in particular, two from the House and one from the Senate, are in various stages and are working their way through the system in Austin (House Bill 11 - <https://bit.ly/2SP5nHu>, House Bill 14 - <https://bit.ly/3oeyuzA> and Senate Bill 3 - <https://bit.ly/3oc8uoB>). Ryan Paylor, TIPRO's director of government affairs, has done an excellent job of tracking these bills on behalf of the association's membership and keeping us all informed on the merits and faults of each policy proposal. TIPRO at this time is backing House Bill 14 and I think with a quick look you will understand why we believe it is the best approach so far.



Brent Hopkins

The proposed bills for the most part try to identify and correct the major issues faced during Uri with the primarily focus on the natural gas supply to both consumers and to the power generation plants. Whichever of these bills that make it to Governor Abbott's desk will correct the issues that were faced during Uri and might have prevented the systematic failure that occurred during that storm. The reason this is true is that the Dispatchable (ability to raise capacity to match load) energy capacity (Nuclear, Natural Gas, Coal) would have been able to carry the entire load. If Texas, like so many other states, continues to replace Dispatchable with Non-Dispatchable (Wind and Solar) sources, then all of the legislation that has been proposed so far will fail. As of 2020 Dispatchable combined capacity was just over 70,000 MW (source: ERCOT). The demand peak during Uri's frigid blast was just over 70,000 MW, so we likely could have met demand without some of the problems that will be addressed with the legislation being reviewed by state lawmakers. The problem for Texas is that the state population continues to grow, and with it, the peak energy demand also is increasing. The peak energy demand for 2021 is projected to be over 77,000 MW and will rise beyond that in the future. As the Dispatchable energy sources are being taken offline and replaced by non-Dispatchable sources, even though the total combined capacity is well above any expected demand, when the wind doesn't blow, the electricity will not flow. It doesn't take a rocket scientist to see that once the peak demand gets above the Dispatchable energy output capacity, none of the reforms outlined in the proposed legislation will matter. We are setting ourselves up for failure under the current plan, and rolling blackouts (if it's like Uri then they don't really roll) will become the norm not the exception.

Sorry, I could not find the silver lining in this one.

Brent Hopkins

This month's quote:

"The chaotic nature of renewable energy supply, particularly from wind and solar, is an enormous challenge because it's the opposite of what we actually want in the system we're trying to provide. We don't try to create something chaotic. We're trying to create something stable, predictable that can give people what they want when they want it...at low cost. Preferably you wouldn't do that with something that was driven by weather." - Professor Ben Heard

2021 Legislative Session enters final weeks

Important Deadlines for the 87th Texas Legislature

May 21, 2021

Last day for House to consider local House Bills on second and third reading.

May 25, 2021

Last day for House to consider second reading Senate bills and Senate joint resolutions on the daily or supplemental calendar.

May 31, 2021

Adjournment of 87th Legislature, Sine Die.

June 20, 2021

Post-session 20-day deadline for governor to sign or veto legislation.

With only a few short weeks remaining in the 87th Texas Regular Legislative Session, lawmakers are working at a feverish pace to advance legislation at the state capitol and pass new policies into law. The Texas Independent Producers & Royalty Owners Association continues to closely track policy proposals up for consideration by state lawmakers of importance to the Texas oil and natural gas industry, including bills focused on eminent domain, reforms from Winter Storm Uri, and other fiscal policies. Throughout the 87th Texas Legislative Session, TIPRO has actively monitored hundreds of bills that could have an impact on independent producers and royalty owners, and has taken formal positions on over 60 pieces of legislation.

As legislators maneuver through the homestretch of the legislative session, already more than 1,500 bills have been sent to Governor Greg Abbott for his final consideration and signature. The governor to-date has not vetoed any bill this session.

TIPRO CALENDAR OF EVENTS

MAY 17, 2021

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

MAY 24, 2021

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

MAY 31, 2021

AUSTIN — TIPRO
Sine Die Legislative Reception.
For information, please email
rpaylor@tipro.org.

Texas Railroad Commission makes Form R-32, requesting flaring exceptions, available online

The first week of May, state energy regulators began offering the Form R-32, *Application for Exception to Statewide Rule (SWR) 32*, for online submission. The form, which is accepted and approved by the Railroad Commission of Texas, is used by producers to apply for an exception to flare gas during oil and gas operations. The regulatory form was revamped last Fall by Railroad commissioners to extend specific guidance on when an exception to flare would be permissible, under which circumstances, and for how long. TIPRO, through its partnership with the Texas Methane & Flaring Coalition and Blue Ribbon Task Force for Oil Economic Recovery, was supportive of the efforts by the Railroad Commission to update the framework granting exceptions to SWR Rule 32, enhance reporting requirements, and provide more data to create opportunities for further analysis by the commission and build upon best practices that many operators have already incorporated.



The Railroad Commission says its online system will now facilitate Form R-32 application submissions for flaring requests. The commission is encouraging oil and gas operators to file the form electronically, though hard copy filings of the Form R-32 will continue to be accepted when: (1) e-mailed with proof of payment to the Railroad Commission at EngUnit@rrc.texas.gov, or (2) mailed with payment to the Railroad Commission's Oil and Gas Division in Austin. The form can be downloaded for hard copy filings from the commission website at <https://rrc.texas.gov/oil-and-gas/oil-and-gas-forms/>.

Otherwise, operators can use the commission's Online System to obtain an exception to SWR 32 by visiting <https://webapps.rrc.texas.gov/security/login.do>.

For more information on flaring, stakeholders can see the Flaring Regulations FAQ available on the commission's website at <https://rrc.texas.gov/about-us/faqs/oil-gas-faqs/flaring-regulation/>. An informational video on flaring is also available on the Railroad Commission's YouTube channel at <https://www.youtube.com/watch?v=zXYn6Lv42ac>.

Regulatory webinar hosted by the Railroad Commission to explain filing of Form R-32 online

The Texas Railroad Commission will host a free webinar on Wednesday, June 2nd to inform and train oil and gas operators about their responsibilities when obtaining an exception to Statewide Rule (SWR) 32 and explain to stakeholders how to file the new Form R-32, *Application for Exception to Statewide Rule 32*, online using the commission's online system. The webinar will be held via Zoom starting that afternoon at 2 p.m. Central Time.

Webinar participants can expect to hear about a variety of topics from commission staff presenting during the commission's seminar, including:

- an overview of the structure and essential elements of the new Form R-32;
- an introduction to the online system — how to access the system and file an application;
- a demonstration of the online system; and
- an overview of additional phases to the online system currently in development.

If TIPRO members wish to submit questions directly to presenters, registration as a Zoom participant will be necessary - to do so, visit the Zoom website at <https://bit.ly/3hkEI54>.

Otherwise, to simply watch the webinar via webcast, please go to: <http://adminmonitor.com/tx/rrc/webinar/20210602/>.

Additional information regarding this webinar is available on the Railroad Commission website at <https://bit.ly/3ey0MSf>.

Railroad Commission offers update on electronic filing requirements for Form PR

The Texas Railroad Commission is delaying implementation of the revised Form PR, *Monthly Production Report*. In a new notice posted on Wednesday, May 5, the commission said that it will take additional time to make changes to its production reporting systems, and expects later this year to adopt revisions to the instructions for the Form PR, as approved by Railroad Commissioners in late February. This Spring, the commissioners signed off on revisions to how producers complete the form, in support of the state's regulation and oversight of flaring and venting of produced natural gas.

As the commission works on updating the regulatory report, operators will continue to use the existing Form PR until the phased implementation, listed as follows:

- On September 1, 2021, Disposition Code 4, which was used to report the volume of gas that was vented or flared, will no longer be accepted. Operators will instead need to utilize two new disposition codes that allocate gas -- gas that is flared must be allocated to Disposition Code 10, and gas that is vented must be allocated to Disposition Code 11.
- On January 1, 2022, operators must report the applicable 2-letter authorization codes in the "REMARKS" field on the form.

Those two letter codes correspond to the authority under which the gas was flared or vented, and include the following:

- AR – Authorized by Rule
- AE – Authorized by Exception
- EP – Exception Pending
- EX – Exempt

To view the Form PR and its instructions, visit <https://rrc.texas.gov/oil-and-gas/oil-and-gas-forms/>.

THE TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION INVITES YOU TO THE

87TH TEXAS LEGISLATIVE SESSION 2021 ENERGY SINE DIE RECEPTION!

MONDAY MAY 31, 2021 | 4:30 - 7:00 PM | CAPITOL CENTER LOBBY, 919 CONGRESS AVENUE, AUSTIN TEXAS 78701

RSVP REQUIRED. EMAIL RYAN PAYLOR AT RPAYLOR@TIPRO.ORG OR CALL (512) 477-4452.



Stakeholders invited to comment on RRC's Draft Oil & Gas Monitoring and Enforcement Plan

The Railroad Commission is now accepting input from the public on its draft *Oil and Gas Division Monitoring and Enforcement Plan for Fiscal Year 2022*, an annual plan developed by regulators to assess the most effective use of its limited resources to ensure public safety and minimize damage to the environment. The plan is also used to strengthen the commission's capabilities tracking, measuring, and analyzing the effectiveness of its oil and gas monitoring and enforcement program. Members of TIPRO may review the draft plan here: <https://bit.ly/3w183Ae>.

To provide comments online, please fill out the commission's electronic survey at: <https://bit.ly/3uFAxz6>. The deadline to submit comments on the monitoring and enforcement plan is 5 p.m. on Thursday, June 10, 2021.

Billions added to state revenue estimates... continued from Page 1

Based off new calculations and fiscal assessments, the comptroller is now projecting 2020-21 revenue available for general-purpose spending to be \$113.88 billion and the ending balance in General Revenue-Related funds to be \$725 million, an increase of \$1.67 billion from the negative balance projected in the January 2021 BRE.

Comptroller Hegar also reported recently that the comptroller's office is expecting to transfer \$1.26 billion each to the State Highway and Economic Stabilization funds in fiscal 2022 and another \$1.67 billion each in fiscal 2023. Each of these funds are supported primarily by oil and natural gas production tax collections. Not counting any appropriations made from the Economic Stabilization Fund by the 87th Legislature, the comptroller has indicated that its balance will be \$12.12 billion at the end of the 2022-23 biennium.

"Our revised revenue forecast assumes continued economic growth through the next biennium, but uncertainty remains about the ultimate course of the economy and thus state revenue. Texas remains well-positioned to recover from the COVID outbreak and return to its norm of economic growth in excess of the national rate — if we haven't already."

The comptroller's revised revenue estimate was welcomed by legislators, including the Senate's presiding officer, Texas Lieutenant Governor Dan Patrick. In a statement, the lieutenant governor emphasized his opinion that Texas' policies have helped the state rebound economically from the pandemic, and allowed for the increase in budgetary funds as now projected by the comptroller. "I am not surprised by Comptroller Hegar's announcement affirming that our conservative policies — low taxes and reasonable regulation — as well as our commitment to keeping our state open — have caused the Texas economy to take off like a rocket. Businesses are flocking to Texas, creating thousands of new jobs and fueling productivity, growth and innovation. The Texas economy continues to lead the nation and is a major force in the global marketplace."

In the final weeks of the 87th Regular Legislative Session, the legislature is working to finalize Senate Bill 1, the budget bill. Already, both the Senate and House chambers have signed off on the state's budget for the 2022-2023 biennium, and the state legislature is now waiting on a conference committee involving members from both chambers to come together to work out the differences between the House and Senate versions of the budget before sending the final budget bill to Governor Greg Abbott for his approval.

State sales tax revenue hits record-high monthly total in April

As the economy continues to rebound from the coronavirus (COVID-19) pandemic, businesses reopen and consumers return to shopping stores, Texas is seeing tax revenue collections jump. In fact, Texas Comptroller Glenn Hegar at the start of May reported state sales tax revenue brought in \$3.4 billion in the month of April, a record-high monthly total and 31.4 percent more than amounts recorded a year ago during April 2020. Total sales tax revenue for the three months ending in April 2021 was up 4.5 percent compared to the same period a year ago, said the comptroller, a positive indication for economic growth in the Lone Star State. Sales tax is the largest source of state funding for the state budget, accounting for 59 percent of all tax collections.

"Spurred by a number of factors, April state sales tax collections increased sharply from a year ago," said Comptroller Hegar. "Collections from all major sectors other than mining and construction rose significantly, led by receipts from restaurants and retailers."

Other major taxes that draw revenue for the state have also seen strong growth this spring. Year-over-year increases for most tax revenues this month are among the highest ever seen by the comptroller's office. According to the comptroller, oil production tax collections totaled \$334 million in April 2021, up 75 percent from April 2020, while natural gas production tax collections were \$232 million, up 247 percent from April 2020.

Race to replace the late Ron Wright in Congress leads to run-off

State Representative Jake Ellzey of Waxahachie will face off against Susan Wright in a runoff contest following the May 1st special election for the open congressional seat in Texas' 6th Congressional District. Representative Ellzey and Wright, both Republicans, were the top two candidates out of 23 vying for the position that was left vacant following the unexpected passing of U.S. Representative Ron Wright, who died earlier this year from complications of cancer and an infection of the coronavirus (COVID-19).

Ron Wright's widow, Susan, a veteran GOP activist who was endorsed in this congressional race by former U.S. President Donald Trump, secured 19 percent of voter's support in the May 1st special election, while Representative Ellzey gained nearly 14 percent of the vote from constituents. Jana Lynne Sanchez, the leading Democratic candidate in the special election, brought in about 13 percent of the vote and fell just short of qualifying for the runoff.

Wright seemed to lead with the most votes cast in Tarrant and Navarro counties, though Representative Ellzey had a higher vote count in Ellis county, located south of the city of Dallas. Since no candidate cleared the 50 percent threshold necessary to outright win the special election, a runoff election is required. The date of the runoff, decided by the governor, will be held on Tuesday, July 27, 2021. The early voting period for this runoff election will begin on Monday, July 19.

Bipartisan push from U.S. senators urges FERC regulators to act on pending natural gas pipelines

Nearly 25 federal lawmakers from the U.S. Senate have joined together to collectively encourage regulators with the Federal Energy Regulatory Commission (FERC) to act on vital energy infrastructure projects that are currently awaiting government approval. In a bipartisan letter sent by the group of U.S. Senators on April 29th to the chairman of FERC and fellow commissioners, the legislators discussed the importance of 14 natural gas pipeline infrastructure projects now pending before FERC. The projects would bring development in the states of Texas, North Dakota, Arizona, California, Connecticut, Florida, Louisiana, Mississippi, Minnesota, Nevada, New Jersey, New York, Pennsylvania, West Virginia, and Wisconsin, acknowledged the senators, resulting in job creation and other economic and environmental benefits.

"Many of the proposed projects before the commission, some pending for more than a year, are critical to addressing supply issues and strengthening our energy infrastructure. These projects represent substantial private sector investment in our nation's economy and our workforce, and developers seeking approval are entitled to the commission's consideration through a clear, consistent, and timely process," wrote the senators. "Delaying and moving the regulatory goalposts on projects filed in good faith is contrary to the otherwise equitable application of the Policy Statement that all stakeholders expect. At a minimum, these projects should not be subject to newly contemplated considerations that fall outside the scope of the current Policy Statement or go beyond the commission's statutory authority."

Cosigners of the letter include U.S. Senators John Cornyn (R-Texas), Ted Cruz (R-Texas), Joe Manchin (D-West Virginia), John Barrasso (R-Wyoming), Jon Tester (D-Montana), Shelley Moore Capito (R-West Virginia), Kyrsten Sinema (D-Arizona), Bill Cassidy (R-Louisiana), Kevin Cramer (R-North Dakota), Mike Crapo (R-Idaho), Steve Daines (R-Montana), Bill Hagerty (R-Tennessee), Cindy Hyde-Smith (R-Mississippi), James Inhofe (R-Oklahoma), James Lankford (R-Oklahoma), Roger Marshall (R-Kansas), Jerry Moran (R-Kansas), Jim Risch (R-Idaho), Mike Rounds (R-South Dakota), Dan Sullivan (R-Alaska), Thom Tillis (R-North Carolina), John Thune (R-South Dakota), Pat Toomey (R-Pennsylvania) and Roger Wicker (R-Mississippi).

Read the full text of the senators' letter at: <https://bit.ly/3hcUZU5>.

U.S. Senate votes on resolution cancelling rollback of industry methane rules

In a 52-42 vote, U.S. senators approved a resolution at the end of April to reverse regulatory orders from the Trump Administration that had lifted tight restrictions on methane emissions at oil and gas sites. Last year, the U.S. Environmental Protection Agency (EPA) finalized regulatory changes relaxing stringent requirements adopted earlier by the federal government under a 2016 rule promulgated from the Obama Administration. The effort to lift burdensome and ineffective regulations on the oil and gas industry had been expected to save the industry millions of dollars each year in compliance costs while still allowing methane to be regulated by the government through other measures and limitations. Invoking the Congressional Review Act, Senate Joint Resolution 14, a resolution of formal disapproval of the EPA's methane policy rule, now effectively seeks to suspend the rulemaking from the Trump EPA and bring back controls on methane from oil and gas production, processing plants, storage and transportation.

In a statement, U.S. Senator Shelley Moore Capito (R-W.Va.), ranking member of the Senate Environment and Public Works Committee, criticized the resolution following the Senate vote, saying that Congress should instead focus on solutions that actually help protect the planet and don't overregulate industry operators for political points. "We should not demonize an industry that is part of the lifeblood of our economy. We should celebrate the emissions reduction accomplishments and look for ways to further incentivize those. Let's focus on solutions that will address our climate challenges without destroying the economic engines of growth," Senator Capito stated.

Since being passed by the Senate, the legislation has since been sent to the Democratic-controlled House of Representatives, where it is expected to be passed, after which time it is anticipated that President Joe Biden will sign the resolution into effect.

Congressmembers review Interior's suspension of federal oil and gas program

During a April 27th congressional hearing of the U.S. Senate Committee on Energy & Natural Resources, U.S. legislative leaders reviewed energy development on federal lands, specifically taking a hard look at the current status of the Department of the Interior's onshore oil and gas leasing program and plans by the Biden Administration to rework federal mineral management. As TIPRO has reported previously to members, under the Biden Administration, the Interior through the Bureau of Land Management (BLM) has paused new oil and gas leasing on public lands and in offshore waters pending the completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices, at the direction of President Joe Biden under Executive Order 14008.

Nada Culver, BLM's deputy director of policy and programs, who is also at this time exercising the delegated authority of BLM director, provided testimony at the hearing. Culver advised in her remarks that it is incumbent on our country to look forward and reimagine how we as a nation manage our public lands – adapting to the changing landscapes, climate, environment, and technology. Culver said that the BLM manages 37,496 Federal oil and gas leases covering 26.6 million acres with nearly 96,100 wells. In Fiscal Year 2020, federal onshore oil and gas development provided over \$3.46 billion in revenues to government coffers, including \$2.3 billion in royalties, \$92.9 million in bonus bids, and \$23 million in rentals. Though income from oil and gas activity is substantial, Culver maintained that officials are still in need of making important considerations of how to improve management of public lands and meet ambitious goals of the president to tackle concerns related to climate change.

Along with the governors of Wyoming and Pueblo of Acoma who presented at the Senate hearing, Occidental Petroleum Chief Executive Officer and President Vicki Hollub also spoke before members of Congress, using remarks to affirm the commitment of the oil and gas industry to utilize innovative technologies to manage emissions while continuing to satisfy U.S. and global energy needs. "As the Biden Administration builds out its policy related to oil and gas development on public lands, we suggest a collaborative approach that is informed by data and focused on protecting human health and the environment, reducing greenhouse gas emissions and ensuring that operations benefit working families and their communities," Hollub said in her testimony.

100 days in with the Biden-Harris Administration puts fossil fuel development in spotlight

U.S. President Joe Biden and his administration recently marked 100 days in office, a milestone that has grown to become a popular benchmark historically used to measure the goals and priorities of a new president. The “first 100 days” of a presidential term first became significant under the administration of Franklin D. Roosevelt, when in 1933 Roosevelt coined the term “first 100 days” in a radio address discussing the New Deal and government programs seeking to help America overcome impacts of the Great Depression.



Today, nearly 90 years after the Great Depression and FDR's first time referencing the “first 100 days,” U.S. President Biden is being measured against the 100-day standard at a time when the nation again has been hurdled into economic upheaval and faced crisis following the outbreak of the novel coronavirus (COVID-19) pandemic. Since taking the oath of office to become commander-in-chief on January 20, the president has used his first months in office to prioritize a highly-coordinated government response to the COVID-19 pandemic, seeing to it that millions of Americans gain access to virus vaccinations, which in turn has supported greater levels of economic activity, and spurred job creation across the United States. The president also in his first 100-days has made clear his ambitions to push “clean” energy and has driven significant reforms aimed at lowering air emissions, including aggressive plans that set new targets for a 50-52 percent reduction

in U.S. greenhouse gas pollution from 2005 levels by the year 2030. The goals are part of a broader commitment under the Paris Accord, an international treaty setting a global framework to limit global warming and control climate change, which the president had the United States reenter upon taking office in January.

Climate change has been a central focus and priority of the president since taking over as commander and chief, and he has leveraged his position as one of the world's top leaders to spur transformational action by other major economies to attempt to tackle the climate crisis. President Biden hosted a Leaders Summit on Climate last month involving 40 world leaders to underscore the urgency of stronger climate action by all developed countries.

At the onset of his presidential term, President Biden quickly revoked the permit for the Keystone XL oil pipeline, which otherwise had been planned to carry roughly 800,000 barrels of oil a day from the oil-rich Canadian province of Alberta to the Texas Gulf Coast. The president also took executive action directing members of his cabinet to suspend federal leasing programs for oil and gas development while the U.S. government completes a comprehensive review of energy development on public lands.

On the legislative front, President Biden has been working during his first 100 days in office to rally members of Congress to support his roughly \$2.25 trillion infrastructure package, called the American Jobs Plan, which aims to revitalize U.S. transportation infrastructure, water systems, broadband and manufacturing, amongst other goals. The president's proposed plan, which would raise the corporate tax rate 28 percent to fund the initiative, notably overlooks the backbone of America's energy system: pipelines.

International Energy Agency: Global oil glut has cleared

The International Energy Agency (IEA) said in a May report that bloated world oil inventories built up during the last year have finally returned to more normal levels. The record glut of oil supplies brought on in 2020 from the collapse of global energy demands following the outbreak of the novel coronavirus (COVID-19) resulted in significant market imbalances. However, strong economic trends in recent months, rebounding energy demands and robust supply restraint from the Organization of Petroleum Exporting Countries (OPEC) and its partners have supported recovery this year and helped to recalibrate supply and demand gaps in oil markets.

In March, oil inventories in developed nations stood just 36.9 million barrels above the average level from 2015 to 2019, said the IEA, a substantial adjustment from massive surpluses reported last summer. Meanwhile, global oil consumption is rising, and now forecasted to grow by 5.4 million barrels per day (b/d) in 2021, according to IEA experts.

Despite these trends, the IEA cautions that until the COVID-19 pandemic is brought under full control, “market volatility is likely to persist.” In particular, the worsening crisis in India has presented greater levels of uncertainty for outlooks on oil demand, while COVID-19 cases surge across the nation. “The outlook for demand remains fragile,” Toril Bosoni, head of the IEA's oil markets and industry division, said in a Bloomberg television interview. “Still, the agency is expecting a very strong recovery in demand growth in the second half of the year.”

Climate envoy John Kerry tells Congress wind and solar are not reliable

Facing tough questioning from lawmakers on Capitol Hill, John Kerry, special presidential envoy for climate, updated members of the U.S. House Committee on Foreign Affairs this week on action by the Biden Administration to drive a global climate response and develop high-stake international agreements responding to the climate crisis. In an exchange with Kerry, U.S. Representative August Pfluger (TX-11) at the hearing had the presidential advisor admit that wind and solar energy do not make a reliable base load of energy for the United States, further underscoring the national security importance of the oil and gas industry. “Do you believe that wind and solar can provide baseload capacity for this country?” posed Congressman Pfluger, to which Kerry answered, “Not alone.”

During the hearing, lead Republican Congressman Michael McCaul (TX-10) also emphasized to Kerry that human rights abuses and reported cases of slave labor cannot be ignored by the Biden Administration as part of the larger movement to expand usage of “green” or “clean” energy and pledges for climate action. “I know you can try to compartmentalize it. The problem is that it's intertwined, because when you look at the supply chain, you look at China. They dominate critical mineral supply and solar supply chains all coming out of the Xinjiang province which we believe is using slave labor to create these renewable energy sources,” stated the congressman. Responding to Congressman McCaul's questioning, Kerry acknowledged the problem. “You're absolutely correct,” he replied while discussing the concerns, saying “Xinjiang province not only produces some solar panels that we believe, in some cases, are being produced with forced labor.” Kerry told committee members that the Biden Administration was considering sanctions on China over the allegations of forced labor.

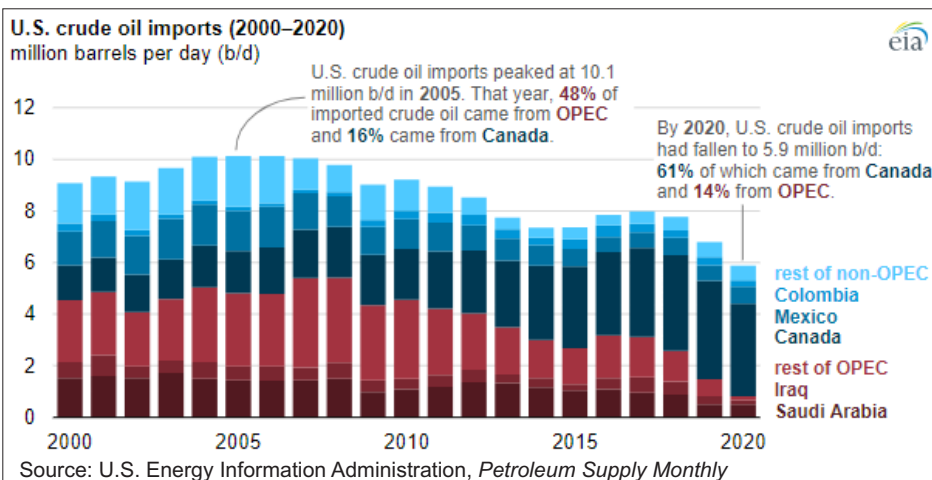
Increased domestic production allows U.S. to lower crude oil imports to the lowest level in 30 years

Last year, U.S. crude oil imports fell to 5.9 million barrels per day (b/d), the lowest level recorded since 1991, reveals new data from the U.S. Energy Information Administration (EIA). The United States has in particular been successful in lowering its volume of imports of crude oil from the Organization of the Petroleum Exporting Countries (OPEC), a trend supported over the past 15 years with rising domestic production and development of energy resources across America. According to the EIA, in 2020, crude oil imports from OPEC averaged 816,000 b/d, roughly 14 percent of the total volume of oil imported into the states and the lowest level in annual EIA data (which dates back to 1973). Comparatively, in 2005, when U.S. crude oil imports peaked at 10.1 million b/d, close to 4.8 million b/d or 48 percent of oil imported into the United States, was supplied from OPEC nations.

“Because of increased domestic production of light crude oil, U.S. imports of medium and light crude oils have decreased while U.S. imports of heavier crude oils have remained comparatively stable,” described EIA analysts. “This trend has resulted in declining crude oil imports from OPEC member countries because OPEC has historically exported medium and light crude oil grades to the United States.”

Though OPEC oil imports have been falling, the EIA notes U.S. crude oil imports from Canada have more than doubled the last 15 years to average 3.6 million b/d in 2020. Historically, Canada has exported heavy crude oil grades not as readily available in the United States, supporting a jump of crude oil imports from Canada that went up from 16 percent to 61 percent of total U.S. crude oil imports between 2005 and 2020.

“U.S. imports of crude oil from Canada have generally had lower landed costs (the price at the port of discharge, including charges associated with the purchase, transportation, and insurance) than crude oil imports from other countries. These low costs have encouraged U.S. crude oil imports from Canada. However, pipeline capacity to deliver crude oil from Canada to the Gulf Coast is limited, and the final delivery point for most U.S. imports of crude oil from Canada has been the Midwest,” said EIA experts.



Rising air travel lifts jet fuel demands and consumption, offering a boost to energy sector

With an increasing number of Americans becoming vaccinated from the novel coronavirus (COVID-19) and choosing to safely resume air travel once again, U.S. jet fuel consumption is up, helping to drive higher energy demands and bringing greater need for oil and gas supplies. Data recently released by the U.S. Energy Information Administration (EIA) shows that the four-week average consumption of jet fuel in the United States from April 9, 2021, through the most recent data (as of April 23, 2021) was more than 1.2 million barrels per day (b/d). This level of consumption was nearly 200,000 b/d higher than the four-week average that ended on March 26, 2021, said the EIA.

“U.S. jet fuel consumption decreased in 2020 because of global travel limitations in response to the COVID-19 pandemic, which resulted in significantly less air travel demand in 2020,” EIA experts explained. “In March 2021, the number of passengers processed by the U.S. Transportation Security Administration (TSA) averaged 1.2 million per day, the most in any month since the onset of the COVID-19 pandemic in spring 2020. In April 2020, air travel substantially declined in the United States, and TSA passenger numbers fell to 100,000 passengers per day. By April 2021, TSA passenger numbers had increased to an average of 1.4 million per day (as of April 26, 2021).”

Major cyberattack shuts off fuel movement for one of the country’s largest pipelines

Colonial Pipeline, one of the nation’s major pipeline systems that transports refined petroleum products such as gasoline, diesel, heating oil, and jet fuel from Houston, Texas, on the U.S. Gulf Coast up to Linden, New Jersey, was hit in early May by an unprecedented cyberattack, causing service for the fuel pipeline to be interrupted for days and crippling the flow of fuel supplies along the East Coast. The Federal Bureau of Investigation (FBI) this week formally blamed a criminal gang of hackers based out of Russia called DarkSide for launching the ransomware attack that compromised the Colonial Pipeline networks on May 7, 2021.

The White House said it is continually assessing the impact of this incident and the president has directed agencies across the federal government to bring their resources to bear to help alleviate fuel shortages where they may occur. In response, U.S. Environmental Protection Agency Administrator Michael Regan on Tuesday, May 11th issued an emergency fuel waiver in states whose supply of reformulated gasoline were impacted by the pipeline shutdown. The waiver will continue through May 18, 2021. Other state governors, including the governor of North Carolina and Virginia, have also taken action declaring states of emergency permitting for fuel transportation waivers after the Colonial Pipeline cyberattack to ensure adequate fuel supplies throughout the region, given the Colonial Pipeline is a primary fuel source utilized for retailers and residents in the area.

The situation meanwhile has led the federal government, pipeline operators, gas suppliers and electric utilities to remain on high alert over the potential for dangerous cyberattacks in the future, and prompted deeper discussions of how the United States can bolster protections from sophisticated cyber breaches putting government and private networks at risk.

**SAVE
THE
DATE**

TIPRO's 2021 Summer Conference

~ celebrating the association's 75th anniversary ~

**returns to San Antonio
September 1-2, 2021!**

This September, the Texas Independent Producers & Royalty Owners Association will return in-person to San Antonio's Hyatt Hill Country Resort for the association's annual Summer Conference. During the event, TIPRO is excited to commemorate its 75th anniversary, and also looks forward to an exceptional agenda featuring distinguished presenters, state officials and experts. This year's conference will also include a special panel of past chairmen of TIPRO, who together will highlight those that have influenced the evolution of the industry in Texas and discuss some of the current priorities facing operators and mineral owners in the Lone Star State today.



Don't miss this in-person event and unique opportunity to discuss TIPRO's history and the future of the Texas oil and natural gas industry. Additional speakers and other event details will be announced in the coming weeks.



Texas Independent Producers & Royalty Owners Association

With nearly 3,000 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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