

STAFF REPORTS

FEDERAL UPDATE

Chris Kearney, PBPA

2021: A Year of Adjustment to a new Administration and a new Congress, And a Year of Action

- Congress and the Biden Administration took action on several issues that affected our industry in general and PBPA in particular this year.
- Actions included but were not limited to:
 - ESA/LPC: Administration's efforts on listing of the Lesser Prairie Chicken and broadening the definition of critical habitat (reversing Trump policy and rules).
 - Increased Regulation of Operations/Produced Water: Legislative effort to boost regulation of various aspects of operations, including a proposed change in law to classify as hazardous (died this year but we expect it to return in the House next).
 - Methane Emissions: draft regulation issued and a methane tax on operations has been proposed (both currently being pursued)
 - Federal land leasing and permitting policies: Administration's directives aimed at making exploration more costly and complicated.
 - Climate Change; Agency and Congressional action to push Biden's goal of a clean energy electric grid by 2035 and a complete decarbonization of the economy by 2050 along with establishing tax breaks to promote electric cars and renewable energy (Infrastructure bill; Reconciliation Bill; Various EOs and Agency Climate Change actions and plans)
 - Tax Benefits: Congressional efforts to eliminate all tax benefits to oil and gas companies of all sizes, particularly Percentage Depletion and IDC (year long fight to keep out of reconciliation).
 - Orphan Wells: One positive: Billions for new orphan well capping and remediation program on federal, state and private lands (Infrastructure bill).
- And we responded. Throughout the year, PBPA was actively engaged on all of these issues in DC, in particularly in Congress through outreach to our friends – and open minded members – as well as the key committees and the administration. Actions included, but not limited to:
 - We provided testimony at key hearings.
 - Sent/signed onto letters to Congress.
 - Submitted comments for the record on actions by the Department of Interior.
 - Met with senior congressional and federal agency staff urging action regarding potential impacts of proposed new regulations, laws, and various Biden Administration directives targeting our industry.
 - Actively participated as members of two oil and gas trade coalitions: 1) one focused on fighting tax policies that includes IPAA, AXPC, NSWA, and API; 2) one focused on regulation of oil and gas related activities on public lands (i.e. fees, royalty rates, etc.)
- On executive branch front, the dominant issue was ESA. Specifically, on two fronts: finalizing a Candidate Conservation Agreement with Assurances (CCA) for the Desert Sand Dune Lizard (DSL) and aggressively organizing against listing of the Lesser Prairie Chicken (LPC) – a stated goal of the Biden administration.
- On DSL, PBPA worked for much of 2020 with WAFWA, other stakeholders and the Fish and Wildlife Service as well as directly with several senior members of the Trump Administration – in fact up to until the last few minutes of the Administration – literally just before noon on January 20th, 2021 -- to secure a favorable CCA that should position PBPA well should a listing come down.

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FEDERAL UPDATE CONTINUED

- AN IMPORTANT SIDE BENEFIT OF DSL WORK: PBPA senior staff and Chris Kearney built on and developed a strong personal relationship with Tommy Boudreau, the now Deputy Secretary (number 2) at the Biden Interior Department. This will pay dividends in our outreach to DOI in the coming year.
- Then we turned our attention to the looming listing of the Lesser Prairie Chicken.
- As a result of a 2020 court ruling, the Fish and Wildlife Service was required to announce its intention to list—or not – the LPC by May 26, 2021.
- And, to no one’s surprise, in fact on May 26, the Service announced that it is proposing listing the chicken as “endangered” in the southern region – including Texas-- of its habitat and as “threatened” in the northern region.
- While the process may take up to a year for the agency to reach a final decision, FWS kicked it off with a 60 day comment period on the proposed listing – which was extended 30 days to September 1.
- PBPA was prepared for this and has been very active, having established, and held meetings with, a technical team and a legal team ahead of the announcement. We also developed a federal affairs/external affairs outreach strategy.
- A major first step in the strategy: a high quality team of PBPA staff, key members of our technical and legal team (that included key leaders among our member companies) – drafted and filed a 75 page comment letter with the Service -- that included a ten page “easy to read” executive summary for public and congressional review and consumption-- along with a technical report of another 60 pages.
- In addition, we have been in regular contact with congressional leaders who support our position including influential Senators – notably Senator Jim Inhofe (R-OK).
- We expect congressional and agency discussions -- along with continued outreach to friendly media -- to continue into 2022, with a goal of having laid the ground work – legally and politically – to fight successfully to defeat and or stall the listing.
- In addition to the series of actions, we monitored and tracked developments on a range of actions by the new administration and Congress with direct or indirect impact on PBPA and our members, including but not limited to: all manner of things related Biden appointees; COVID related mandates, initiatives, and legislation; the bipartisan infrastructure bill; the Build Back Better Act (Reconciliation bill), sweeping anti-oil and gas industry targeted legislation (i.e. eliminate tax benefits), and various executive orders.