

STAFF REPORTS

FEDERAL UPDATE

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2022: A Year of Continued Battle -- 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 Listing of Lesser Prairie Chicken and broadened the definition of critical habitat to include areas that may ever be occupied.
 - **Methane Emissions:** Draft testing and inspection "regulation" issued and a methane tax on operations has been enacted. House Science Committee Investigation on LIDR Use by Permian Basin companies.
 - **Federal land leasing and permitting policies:** Continued tracking and monitoring of Administration's directives aimed at making exploration more costly and complicated in general – delays in leases, proposed royalty increases etc.
 - **Biden Anti- Oil and Gas Appointees/Rhetorical Attacks on Industry:** Administration put forth ones at EPA air office, BLM/DOI, and Federal Reserve. Also, turned up the anti- industry rhetoric in response to high gas prices.
 - **Climate Change;** Continued 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(Green Energy Credits In Inflation Reduction Act; SEC's Rule on Greenhouse Gas Emission)
 - **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— ultimately successful -- to keep out of reconciliation/Inflation Reduction Act).
 - **Orphan Wells:** One positive: Billions for new orphan well capping and remediation program on federal, state and private lands (Infrastructure bill; however, DOI adding environmental/methane related requirements.
- And we engaged. 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:
 - Sent/signed onto letters to Congress in opposition to Biden nominees and supported PBPA members interaction with Congress.
 - Submitted comments for the record on actions by EPA on the Methane "rulemaking,"
 - Met with senior congressional and federal agency staff urging action regarding potential impacts of proposed new regulations and pending bills.
 - 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 methane and ESA. Specifically, on methane we submitted comments, participated in trades coalition conference calls, signed on to letters etc.

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- On ESA, we continued to monitor and track DOI's efforts to finalize LPC listing, which they did late in the year.
- In addition, we continued regular contact with congressional leaders who support our position, particularly including influential Senators – notably Senator Jim Inhofe (R-OK) regarding LPC and other ESA matters..
- 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: the congressionally mandated methane fee; EPA's proposed methane rule; all manner of things related Biden appointees; the Build Back Better Act (Reconciliation bill), sweeping anti-oil and gas industry targeted legislation (i.e. eliminate tax benefits), and various executive orders.

2023 DC Outlook- A New Congress and Another Year of Action

Overview

- Heading into more industry friendly GOP controlled House in 2023, a high priority for us this year will be to “play offense” by continuing to build on past efforts to raise PBPA's profile in DC, both in Congress and in the Administration, with an extra push to let more folks – both sides of the aisle in both chambers and in the agencies – know who we are, what our priorities are, how we run our businesses, the positive stewards of the land we are, as well as identify and highlight potential negative and positive impacts from DC's decisions.
- We plan to do this through various actions including but not limited to:
 - 1-2 in-person meetings with members and staff in Congress and federal agencies with Board members – along with zoom meetings to supplement or substitute as needed;
 - In person meetings and outreach by PBPA staff as circumstances warrant.
 - Seek out opportunities to support/advance legislation that benefits/protect our interests and industry as a whole, as appropriate (i.e. codify voluntary conservation efforts on ESA and address LPC listing; block methane regulation, bonding requirements, and other hostile actions by the administration and congress);
 - Continue to seek out opportunities to assist the House GOP in their efforts at administration oversight as well as opportunities to raise our profile, through letter writing, testifying at hearings, etc.
 - Developing legislative reforms to protect and enhance successful ESA related regional partnerships.
 - Build on and expand partnerships with regional and national trade associations.
- Many of the issues fought over in 2022 will intensify in 2023 as the focus shifts in part to the Administration's efforts to expand their multiprong assault on the industry (after all – the 2024 presidential campaign will kick off early in the year when Biden announces his re-election bid): whether its implementing the methane tax law, finalizing the methane regulations, implementing the new natural gas production royalty on public lands; finalizing the SEC rules, issuing potential produced water regulations, new ESA listings or other unknowns, the fight will continue.
- And Congress, in general, will remain fertile ground for opportunity and conflict. So we will be stepping up our outreach and engagement.

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Where We Will Engage

- In Congress, while the likelihood of not a lot actually signed into law in a year of divided government, there will still be challenges as our opponents continue to attack us and our friends seek to help us—especially in the House.
- We expect plenty of bills to be introduced and likely passed in the House that will help address many of the issues we are concerned about: permitting reform, repeal or blocking of the methane fee, repeal of methane rule, to name a few.
- We expect plenty of anti-oil and gas and pro oil and gas folks to do battle in the Senate. Joe Manchin can be expected to still be a partner on permit reform and other matters.
- Discussions around the president's budget will no doubt be a flashpoint for funding and policy fights around climate change, and related matters. We will likely need to respond, in concert with others.
- In addition, there will no doubt be many oversight hearing opportunities to put a spot light on the administration's anti-oil and gas actions.
- For example, the House Government Reform Committee is already developing their agenda and they have reach out to us for ideas.
- In the Administration, we expect the attacks to continue to be multifaceted:
 - EPA's likely efforts to increase costs associated with produced water through increased requirements on handling and disposing.
 - DOI's effort to implement recommendations stemming from its report from last year will get dusted off as the campaign draws near and the Congress is a killing field for Biden efforts. Biden Admin. Efforts likely include increased fees, shortening how long leases can be held, increased environmental regulations on drilling permits etc.
 - DOI's decision to finalize listing of the Lesser Prairie Chicken. We have had this fight before. We are prepared, along with our allies in Congress, to have it again.
 - Doing battle with EPA methane rule, the methane fee and perhaps non-attainment related action.
 - DOI is expected to add or increase bonding requirements for inactive wells on private and public lands as it relates to monitoring methane emissions.
 - And a bunch of bad stuff we don't even know about yet.
- So the need to engage at the federal level by PBPA members and staff next year is clear.
- We will provide more details on these and other issues at future meetings.