

# STAFF REPORTS

## TEXAS GOVERNMENT AFFAIRS

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The Texas House of Representatives and the Texas Senate continue to deliberate on a wide variety of issues across the political gamut and the Permian Basin Petroleum Association Legislative Committee continues to meet weekly to discuss, inform, deliberate, and consider the issues that are of extreme importance to your daily operations.

This Quarter, PBPA has continued to benefit from our weekly Tuesday meetings with robust conversations and this allows our association to engage directly with members and staff in the Texas Capitol on your behalf.

PBPA has weighed in on issues in nearly a dozen committees including House Energy and Environmental Regulation, Senate Business and Commerce and Senate Natural Resources and Economic Development Committee.

A large theme in both chambers has been how to ensure the state is planning appropriately for the electrical needs of today as well as the needs of tomorrow. Great efforts are also being made to determine how best to ensure these assets are efficiently able to transmit and distribute generated electrons across regions and the state.

Our members have shared that they are concerned the proposal outstanding by the Public Utility Commission to establish a “performance credit mechanism” or “PCM” lacks surety that it will provide affordable and reliable electricity in a reasonable manner. Therefore we have supported legislation that seeks to put parameters on what type of “PCM” program may be created to ensure that its costs do not balloon, and require that actual generation is constructed, not just a fund to line the pockets of electric generators in the state.

Additionally, there are several efforts to ensure that natural gas remains the important generating fuel in this state and other programs are being considered regarding how to alternately fund or incentivize natural gas electric generators to build new plants.

Both the Texas House and Senate have announced large and ambitious plans, though their methods for the largest tax cut in Texas history are different in financing. The Texas House has proposed a cap on the rate of appraisal of properties and the Texas Senate has proposed an increase in the homestead exemption. Both proposals seek to provide more than \$15 billion in financial relief for Texas property taxpayers and we will continue to monitor the options between both chambers.

The Sunset Review process has also been especially important this session, with PBPA supporting the extension of two agencies, the Public Utility Commission and the Texas Commission on Environmental Quality. While both of these bills could be vehicles for punitive or anti-oil and gas amendments, we have worked hard with those authors and the joint trades to ensure that these bills include substantive recommendations by the Sunset Review Board and not activists.

To be clear, like in New Mexico, a significant amount of effort is undertaken to ensure that our industry plays defense against concepts that have been tried in other states and merely seek to limit or prohibit oil and gas activities. There have been several proposals to create new regulations on production as well as the sale of oil and gas.

Alternatively, the Legislature is also pushing items to limit the types of piecemeal local ordinances that create a patchwork of rules that apply across the state. Some of these efforts include a bill declaring the state has the preemptive authority to establish rules for the general governance of the state, including on environmental and energy policy, as well as another bill that specifically ensures that local governments cannot prohibit the types of energy used in their communities. Whether they are heating units, lawn mowers, or ovens and stoves, no local government should be in the business of choosing for consumers what options they should have. That bill has passed both the House and Senate and will be awaiting the Governor’s signature.

Also, in the face of activist investing, several lawmakers have proposals that would limit the funds of this

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state, like the Teachers Retirement System or the Permanent University Fund, from being used to fund those entities or projects that boycott oil and gas activities as a principal. Our members have been clear in ensuring that state dollars not be used as weapons in this assault against domestic energy production and the state has greatly benefited from oil and gas investments.

PBPA has also worked on new technology efforts to ensure that these technologies like geothermal, hydrogen, or carbon capture and sequestration can exist and not threaten oil and gas activity. Many of our members have talked about the importance of new technologies and we appreciate how some of these efforts are important to new business development and long term planning.

Additionally, the Texas Legislature allowed the state's economic development tax abatement program, often called the Chapter 313 program, to expire at the end of 2022. With no program in place entering this session, several legislators have worked on addressing the lapsed abatement program and House Bill 5 was filed to establish a new method of incentivizing new projects, including new natural gas-electric generators, to be built using a tax rebate concept. While there is no certainty in the passage of this project, there is interest by some members and PBPA continues to monitor this issue and its corresponding proposals.

While there is still distance from the cup to the lip regarding the end of session, the days of Texas' 88th Legislature Regular Session are winding down. With just a little over 30 days to go, PBPA continues to monitor the wide variety of issues being discussed this session and will do so until sine die on May 29. We greatly appreciate your input and support and while this only provides a high level and limited review of our efforts, we encourage you to participate in our weekly meetings or please reach out to PBPA staff for answers to any questions you may have.