Written Testimony Submitted to House Republican Members of the Committee on Energy and Commerce Committee on Natural Resources

in a forum entitled
Pain at the Pump: Biden's War on American Energy

March 18. 2022
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Ranking Member Westerman, Ranking Member McMorris Rodgers, and members of the committees, thank you for holding this forum today. As an employee in the oil and natural gas industry, I am dismayed that the president has chosen to point the finger at us for high gasoline prices. While perhaps it is predictable that a politician would blame the industry that supplies that gasoline, it is nonetheless cynical to do so after spending over a year doing everything in his power to hamstring the American oil and natural gas industry and make it more difficult for us to react to high prices by producing more.

From the beginning of the Biden Administration continuing until today, the attitude toward American oil and natural gas has been one of hostility. The president has stated repeatedly that U.S. production must come to an end because of climate change, even though increased natural gas electricity generation is the primary reason the United States has reduced more greenhouse gas emissions than any other country since 2005 and American emissions are dwarfed by increasing emissions from China. The administration's actions against our industry have favored producers from Russia and OPEC, ignoring the fact that we follow strict environmental protections that they do not and their energy emits more greenhouse gas emissions and other pollutants. Asking producers from unfriendly nations to meet America's energy needs merely shifts greenhouse gas emissions to those countries at best, revealing the fallacy of killing domestic production in the name of climate change.

The administration's climate agenda is meant to eliminate oil and natural gas to achieve a 100% carbon free economy by 2050, a goal directly contradicted by the Biden Administration's own Department of Energy, which projects oil and natural gas consumption will continue to rise through 2050 and beyond, continuing to outpace renewables. In order to reach this unachievable goal, the administration has unleashed numerous anti-American energy policies that have contributed significantly to high energy prices. While no one disputes that Vladimir Putin has created a shock to world oil prices that have sent them higher, no one is likewise fooled that prices weren't going up well before Russian troops were amassed at the border of Ukraine. Russian aggression has restricted Europe's oil and natural gas supplies, leaving it vulnerable and energy insecure and the American oil and natural gas industry has been inhibited from adequately responding.

We have heard the excuse that Europe's problems stem from its dependence on fossil fuels and that yet more investment is needed for wind and solar energy. But if that were true, then Germany would be a paradise now, as it has spent $800 billion over the last twenty years as part of its *Energiewende* (energy transition). Instead, Germany's misguided "green" policies have caused its electricity prices to double while leaving it particularly vulnerable to Russia. In fact Germany's use of coal has gone up recently because of the limitations of renewables and the failure to secure enough natural gas from nonhostile countries.

Normally, when prices rise this high, American producers would ramp up production to fill in the gaps and to a great extent, we already have. With Liquefied Natural Gas (LNG) exports, we just supplied more natural gas to Germany than Russia did in January. Rigs are indeed popping up in the Permian Basin and the Bakken again, as producers react to price and increase supply.

But we could do more were it not for the policies of this administration to overregulate my industry, starve it of capital, and erect obstacles to new production. American oil and natural gas has been rendered less responsive to the price crisis by design. Simply put, hostile signals and actions from President Biden and his administration against the American oil industry clearly communicated since day one, are designed to cause energy prices to "necessarily skyrocket," and all Americans are feeling the effects. The White House blaming oil producers for their inability to quickly produce after being subjected to these policies certainly rings hollow.

I would like to focus on one particular line of deflection. From the first time Press Secretary Jen Psaki brought it up on March 3rd until today, the administration has repeatedly turned to 9,000 leases or permits that have not yet been used on federal lands, as if the mere existence of these leases and permits absolves them of any role in further encouraging American oil and natural gas production.

As federal oil and natural gas is a highly complex system, I'd like to give a flavor here of some of the complexity. Federal lands accounts for about 10% of American oil and natural gas production. It is fortunate that the federal government doesn't control more oil, as we would never have become a net exporter in 2019 were the majority of our reserves on federal lands. What takes years on federal lands can take a matter of months on private or state lands.

First the 9,000 leases that Psaki cited. There are 37,496 onshore federal leases in effect and actually 12,068 nonproducing leases, not 9,000. That works out to a 66% lease utilization rate, which is quite high. But there are many reasons not all leases will be used.

- Many leases are held up in litigation by environmental groups. Western Energy Alliance is in court defending over 2,200 leases, most of which cannot be developed while those cases are ongoing.

- Companies must put together a complete leasehold before moving forward, particularly with the long horizontal wells that can cut across multiple leases. Sometimes a new lease is needed to combine with existing leases to make a full unit. Since the leasing ban remains in effect with no onshore lease sales held since 2020, some leases are held up waiting for new leases or for the government to combine them into a formal unit.

- Before allowing development on leases, the government conducts environmental analysis under NEPA (the National Environmental Policy Act), which often takes years to complete. Many leases can be hung up by NEPA or awaiting other government approvals.

- Finally, not all leases will be developed because, after conducting exploratory work, companies may determine there are not sufficient quantities of oil and natural gas on them.

Turning to the 9,000 permits talking point, there are also about 9,173 outstanding approved permits, but there are factors that cause companies to wait to drill those wells.

- Because of the uncertainty of operating on federal lands, companies must build up a sufficient inventory of permits before rigs can be contracted to ensure the permits stay ahead of the rigs. We drill wells in a matter of days and rigs are very expensive, so it's a delicate balancing act. But there are other things that can delay a company from developing a well right away.

- The federal permit to drill is not the only government approval required. Rights of way (ROW) must be acquired to access the lease and for natural gas gathering systems. ROWs can take years to acquire. With the pressure not to flare from regulators and investors, most companies cannot drill before the gathering lines are in place. Timely approvals of ROWs would enable companies to develop sooner.

- The administration has worked with anti-oil-and-gas activists to slow or stop pipeline infrastructure. Without pipelines to move the oil and natural gas produced, wells cannot be developed.

- Capital must be acquired. Activist investors, encouraged by an administration intent on expanding its financial regulatory powers, have worked to de-bank and de-capitalize the industry. Many companies, particularly the small independents who drill the majority of federal wells, are having difficulty acquiring the credit and capital necessary to develop. By calling off bureaucratic efforts to deny financing to the industry, the president would send a strong signal to the market that investments in oil and natural gas are safe and new production could move forward.

- The Biden Administration has embarked on an agenda of regulatory overreach with extensive new regulations in the works. The uncertainty of all the new red tape puts a damper on new investment and development today, especially on federal lands where the burden is highest. Consequently, companies prioritize their nonfederal leases because there's less regulatory risk.

But just because some companies have permits they are unable to drill today does not mean there are not other companies awaiting permits they could drill immediately. There are 4,621 permits to drill awaiting approval by the Bureau of Land Management (BLM). Interior Secretary Haaland could direct approval of those permits now. Yet BLM's approval rate has fallen precipitously, having approved just 95 permits in January. By that rate, it would take four years to get through those permits, not including any new submissions. These are permits that companies could drill in reaction to today's market conditions, not permits that may no longer be tenable.

While I'm encouraged that the administration *now* wants us to develop on federal leases after promising "no more drilling on federal lands," the obstacles erected to that development remain in place. The president could indeed "work like the devil to bring down gas prices" by sending some important signals and removing impediments to new production.

1. Move forward with leasing on federal public lands. The government is required to conduct quarterly lease sales, but since President Biden banned leasing during his first week in office, later overturned by a federal judge, there has not been one lease sale on federal lands. The

Interior Department just missed the deadline for holding a lease sale this quarter. He could instruct the department to move forward with leasing now.

2. Approve the backlog of drilling permits and stop holding up permits in the prolific Permian Basin. Western Energy Alliance helped the Interior Department defend the record $972 million New Mexico lease sale in the district court and the environmental groups dropped the Tenth Circuit appeal, yet BLM continues to conduct additional NEPA analysis despite a ruling upholding the original analysis.

3. Appeal a federal judge's decision overturning the recent offshore lease sale and join with the Attorneys General of Louisiana and other Gulf states in appealing that ruling.

4. Stop the regulatory overreach agenda. The Interior Department, Environmental Protection Agency, and other agencies are moving forward aggressively with regulations meant to make American oil and natural gas production more expensive. Simply halt the deluge of new regulation meant to slow American production.

5. Approve the KeystoneXL and other stalled pipelines. Doing so would create jobs and a conduit for oil to flow from Canada, thereby reducing dependence on Russia and OPEC. KeystoneXL also has capacity for American production from Montana and North Dakota.

6. Rescind the Federal Energy Regulatory Commission (FERC) policies released February 24, 2022 on certifying natural gas pipelines and evaluating greenhouse gas impacts. These policies are designed to elevate potential climate change impacts above the need for reliable, affordable energy while not accounting for the role natural gas plays in helping the United States reduce greenhouse gas emissions.

7. Leave in place the modernization of NEPA rules that sensibly reduced the time for conducting environmental analysis on federal infrastructure projects. NEPA analysis takes years and dramatically increase the costs of building or reconstructing roads, bridges, and energy infrastructure.

8. Stop efforts to impose a Social Cost of Carbon on every federal energy project. The SCC is specifically meant to increase the cost of energy. Recognize that the law does not support imposing a SCC on energy production and consumption, and simply stop the rulemaking. Do not appeal the ruling out of the Louisiana district court overturning the SCC.

9. Halt the release of the Securities and Exchange Commission's rule on climate change disclosure. The rule is designed to elevate climate change measures above material financial factors in investment decisions as a means of denying capital to oil and natural gas projects.