US Oil & Gas Association
ADVOCATE FOR THE OIL & GAS INDUSTRY

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J. Roe Buckley, Chairman **Tim Stewart**, President

July 14th, 2021

Ranking Member Westerman
House Committee on Natural Resources
1324 Longworth
Washington, DC 20001

Dear Ranking Member Westerman:

As the House Committee on Resources meets this week to markup H.R. 3764 "The Ocean Based Climate Solutions Act of 2021", the US Oil & Gas Association and its member companies have identified several potential problems with this legislation in its current form and suggest that it would be in the best interests of the American consumer and industry to reconsider this legislation before hastily passing it out of the Committee.

Over the last six months the American people have witnessed the most rapid increase in energy prices in recent history following one of the most dramatic economic contractions ever. Consumers and small businesses who are just getting back to business are being hit with severe energy price increase due to the impacts of the worldwide demand collapse due the pandemic contraction in the economy which was immediately followed by a series of poor public policy decisions as we emerged out of the recession.

In the space of a year, the U.S. has dropped from the largest producer of oil and gas in the world to one of the largest importers of foreign-produced oil.

A recent report showed that in the month of July of 2021 the United States will import more than 7.5 million barrels of oil from Russia, while less than a year ago that figure was just 200,000 barrels a month. At today's current prices, this amounts to almost $600 million dollars a month in transfer of U.S wealth out of our economy to one of our largest global and geopolitical competitors.

Making U.S. oil and gas resources uncompetitive and undevelopable is dreadfully bad fiscal and social policy, yet for some reason the Biden Administration and its allies in Congress continue down this road. This legislation just continues this pattern.

As we reviewed H.R. 3764, we have identified three particular problems that will result in further devaluation of the federal fossil energy asset, costing the taxpayer billions in federal royalties and placing us at a distinct competitive disadvantage to Russia, Iran, China and Venezuela:

1. We believe this legislation in its current form will essentially implement a moratorium on any new exploration and development of oil and gas resources outside of the Western and Central Gulf of Mexico, which itself has matured as a developable asset. Perhaps this is by design by the authors of this legislation to end all offshore leasing.

2. Additionally, the numerous regulatory layers and burdens will cause industry to reconsider the value and the return in the capital expenditures required to develop those remaining leases should they become available. Again, this is probably by design by the authors of this legislation.

3. Should industry decide to push forward and risk vast amounts of capital despite the new regulatory burden implemented by this legislation, there is a good chance those leases (if ever offered) will never actually be developed because of how this legislation implements an almost infinite opportunity for opponents to litigate through endless venues. This is based on the dramatic expansion of required consultation with various federal agencies of all types. Operators will likely find themselves directly or indirectly caught up in a regulatory quagmire based on actions and/or problems occurring far upstream in 32 different states every time an agency decision is rendered that didn't fully analyze the impacts on "blue carbon areas of significance". Again – we can't help but think this is by design.

Under normal circumstances we would also point out the $19 billion authorized to carry out this vast expansion of the regulatory state; but in these times, $19 billion is a rounding error in terms of funds being spent by Congress and the Administration in these times.

We should contrast this $19 billion cost to the taxpayer for implementation with the concurring loss of revenues to state and local governments, the billions lost to the Land and Water Conservation Fund, the failure to meet the obligations promises to the National Park Deferred Maintenance Fund, and loss of the multiplying effect of billions in capital expenditures

There are many other problems with this bill but in an effort to be concise, might we suggest the Committee go back to the drawing board on this legislation? We urge you and your colleagues to work to improve this bill so real progress might be made in conserving our cherished marine ecosystems.

We stand ready to help you and will offer our resources to make improvements to this bill so it might accomplish the intended purposes without raising costs on consumers and businesses and effectively ending our once robust offshore industry.

Sincerely

Tim Stewart

President
US Oil and Gas Association