

# **Domestic Energy Producers Policy Agenda**

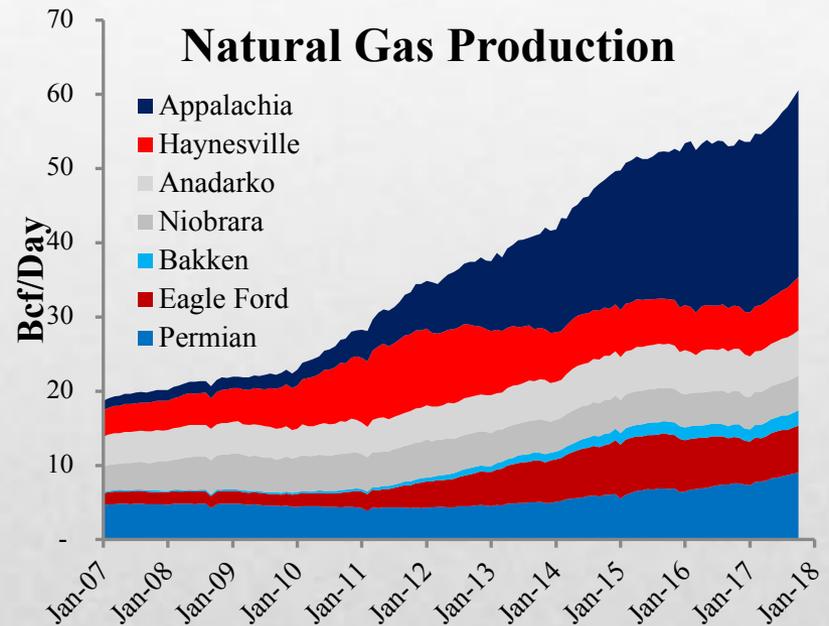
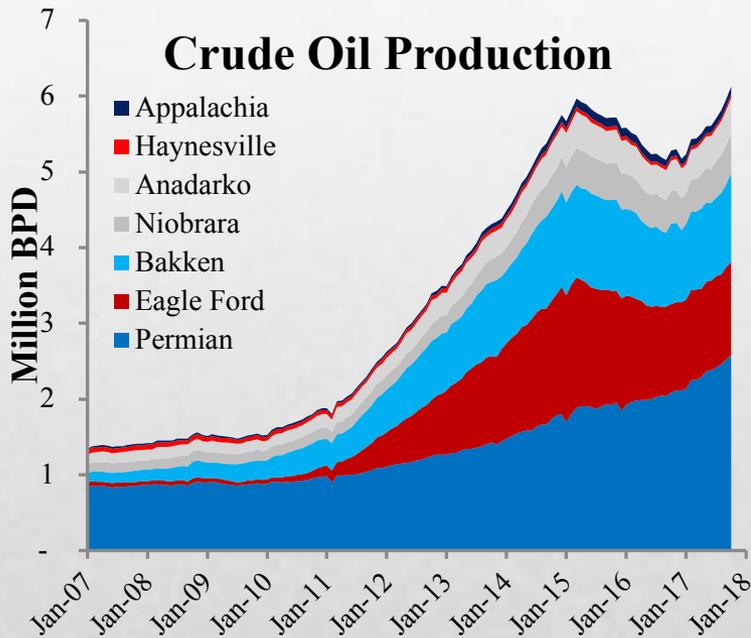
---

- Current laws and regulations governing domestic energy production written in time of scarcity
- Dependence versus Independence
- Reliance on OPEC producers
- Old technologies - Vertical versus horizontal drilling
- Transportation & Infrastructure challenges
- Distinction between integrated and independent producers

## **Modernizing Energy Laws and Regulations**

---

- Single-most defining aspect on this planet today
- Will shape the next 50 years
- U.S. moving from just an oil and natural gas consumer to a producer



**American Energy Renaissance  
from resource scarcity to resource abundance**

*For over 40 years, America was vulnerable to foreign regimes that used energy as an economic weapon...*

*The truth is that we have near-limitless supplies of energy in our country... My administration will seek not only American energy independence that we've been looking for so long, but American energy dominance."*

**- President Donald Trump**

- The U.S. will overtake Russia to become the world's largest oil producer by 2023.
- American influence on global oil markets is also expected to rise, with U.S. oil exports more than doubling to 4.9 million barrels a day by 2023.
- IEA sees little sign that oil demand will peak in the next five years.

# **Trump Administration Focused on Energy Dominance**

---

**The U.S. oil and natural gas industry will drive America to energy dominance and fuel the growth engine of the world:**

- Aid our allies with a stable source of crude oil and natural gas
- Reduce our European allies' dependence on Russia
- Reduce America's dependence on foreign oil
- End OPEC dominance once and for all
- De-intensify the Middle East's strategic importance, especially Iran
- Put Americans back to work – hundreds of thousands of jobs a year
- Lower and stabilize gasoline prices for consumers
- Add to GDP growth
- Drastically reduce the U.S. trade deficit
- Save American lives!

# **The Future Of American Energy Independence Depends On Domestic Producers**

---

- Companies like Saudi Aramco (Saudi Arabia), Sinopec (China) and Rosneft (Russia) are buying up refinery assets in the U.S. and around the world.
- Currently, there is no CFIUS review required for foreign purchases of U.S. refineries.
- To protect national security, there is a need for heightened review of foreign, state-owned purchases of strategic U.S. assets.

## **American Energy Independence Is Endangered By Foreign, State-Owned Control Of Strategic U.S. Assets**

---

*“This is the future Saudi export strategy... Create captive markets in important importing countries by owning refineries in those countries. That way their market share is secured.”*

- Jim Krane, Fellow, Rice University’s Baker Institute for Public Policy

*“Our strategy is about growth in the downstream... The growth in that sector is very important, and anything integrated between refining, petrochemical, with marketing and distribution, is of interest to us.”*

- Amin Nasser, CEO, Saudi Aramco

“Over the past five years, Saudi Arabian Oil Co., known as Aramco, has boosted its global refining capacity by more than a third to 5.4 million barrels a day.”

- Wood Mackenzie

# **Saudi Arabia’s Global Refining Strategy**

---

- **On Sinopec's investing "billions to help develop a petrochemical refinery complex south of the Suez Canal":** *"We think this policy [One Belt, One Road Initiative] is very good — we have enjoyed the benefits of China opening up over time...For Sinopec, this presents us favorable opportunities."*
  - Dai Liqi, Director of Sinopec's Foreign Cooperation Office
- **On Sinopec's \$1B deal to expand a refinery in Iran:** *"With Trump's stance, the Iranian government has to put together its resources and define a national, macro-energy policy and this is being felt now more than ever...The investment is very crucial for Abadan and more generally it's very important for Iran's economy."*
  - Mahmoud Khaghani, Former Head of Caspian Oil and Gas Affairs, Iran Oil Ministry
- **On construction of \$15B refinery complex in Brunei by Chinese firm Hengyi Group:** *"A \$12 billion second phase will expand the refinery capacity to 281,150 barrels per day, the company said last month...That will almost certainly rise as China ramps its 'Belt and Road' initiative...linking China with Southeast Asia, Africa and Eurasia through a complex network of ports, roads, railways and industrial parks."*
  - Reuters, March 2018

# China's Global Refining Strategy

---

- *“Rosneft is trying to create opportunities that can be extremely valuable in geopolitical ways...They really give the Russian government unbelievable leverage on questions of importance to the U.S.”*
  - Amy Myers Jaffe, Energy Security Expert, Council on Foreign Relations
- “Last year, Rosneft took a 49.9 percent stake in Citgo, the Venezuelan state oil company’s refining subsidiary in the U.S., as collateral for a \$1.5 billion loan to the Venezuelan company...The deal was sharply criticized by members of Congress, who warned that an eventual Russian takeover of Citgo would threaten national security.”
  - The New York Times, October 2017
- “Russian oil major Rosneft and partners closed their \$12.9 billion purchase of Indian refiner Essar Oil, giving them a foothold in one of the world’s fastest growing oil users...The deal is the first foray by Rosneft into Asia’s refining sector and the biggest foreign acquisition ever in India, as well as Russia’s largest outbound one. It also deepens Russian and Indian economic ties that stretch back to the Soviet era.”
  - Reuters, August 2017

# Russia’s Global Refining Strategy

---

- Having failed to defeat US producers using the monopoly power of OPEC to drive US producers out of the market the Saudis are now moving to gobble up refinery capacity in the US and around the world to limit US producer access to refineries in an effort to drive down the price for US crude and limit production. This kills jobs and undermines energy independence.
- Given the actions of the Russians, Saudis and Venezuelans and the increasingly complex and hidden nature of these state-owned entity activities aimed at controlling US energy infrastructure mandatory CFIUS notification is necessary to protect the US energy industry, jobs and energy security and independence.
- Mandatory CFIUS Review of State-Owned Entity Purchase of Critical US Energy Infrastructure
- Anytime a state-owned entity is involved in the potential acquisition of US energy infrastructure (refineries, pipelines, etc) the parties must file a notification to CFIUS. This will ensure that all such transaction receive adequate review.

## **Reform CFIUS to Review All State-Owned Purchases of Energy Assets**

---

- SEC 5 Year Reserve Reporting Rule
- Eliminate the SEC's 5-Year Reserve Reporting Rule. Oil and gas industry technology that allows accurate prediction of reserves has advanced far beyond this outdated rule, which restricts companies from booking reserves more than 5 years in advance. As a result, America's true reserve capacity is tremendously understated.
- Elimination of the 5-Year Rule will also provide the proper factual and financial basis for needed infrastructure investment. Refineries, petrochemical plants, pipelines, and natural gas plants need long lead time and good data to support investing billions of dollars in infrastructure. America needs to expand its refining capacity for light, sweet crude oil in the U.S. as growth and production occurs.

## **Elimination of SEC 5-Year Rule**

---

- Currently, a drilling pad located on fee or state surface is considered a Federal action, subject to all Federal actions by the Bureau of Land Management (BLM) if any well on that drilling pad penetrates Federal minerals anywhere in the lateral, increasing the cost of the application as well as the construction cost of the pad through un-necessary NEPA and other Federal mandated activities.
- The delay in federal permits that represent a deterrent to drilling federal wells
- Often companies terminate wells short of the federal acreage because they don't have time to wait for the federal permit review.
- Over the past 10 years 93% of all wells drilled in the US involved only state and private message minerals leaving only 7% wells on which NEPA and federal review were conducted. Just a gotcha scheme for stopping drilling operations.
- Loss of federal revenue, jobs, reserves and wasted resources in time and manpower.
- Statutory change giving states regulatory primacy where federal lands are small percentage of well

# Reform “federal lands”

---

Secretary Zinke undertaking reorganization of Dept of Interior

Objectives are to:

- Reduce administrative redundancy and jurisdictional and organizational barriers to citizen service
- Share resources more effectively
- Devote a greater percentage of budget to the field and to our core missions
- Improve coordination among federal, state and local agencies
- Facilitate joint problem-solving and effective decision-making
- Make more decisions at the region, fewer in DC
- Increase responsibility, resources, personnel and authority in the field

# Interior Reorganization

---

- Jones Act requires all coast-wise shipments be carried on US- owned, built, flagged and crewed vessels
- Jones Act intended to maintain US shipbuilding and crewing capacity for defense purposes
- Military has no use of LNG
- There are no Jones Act LNG Tankers and no US shipyards building LNG tankers
- Cost of US – build requirement prohibitive
- Need for Jones Act waivers for transporting LNG

## **Jones Act Threat to Energy Independence**

---

- EPA – Return to rule of law and reliance on scientific studies to develop regulations only when the data and methodology for those studies are accessible to the public
- True cost/benefit analysis
- Reconsider the current Ozone NAAQS with regard to its effectiveness versus the cost of compliance
- Quad Oa rules regarding fugitive emissions
- New Source Review process for continual environmental improvement
- HAP's guidance under Section 112A of the Clean Air Act
- Revision of Control Technique Guidelines

## **EPA - Return to rule of law – cost/benefit analysis driven regulation**

---