SSDA
SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

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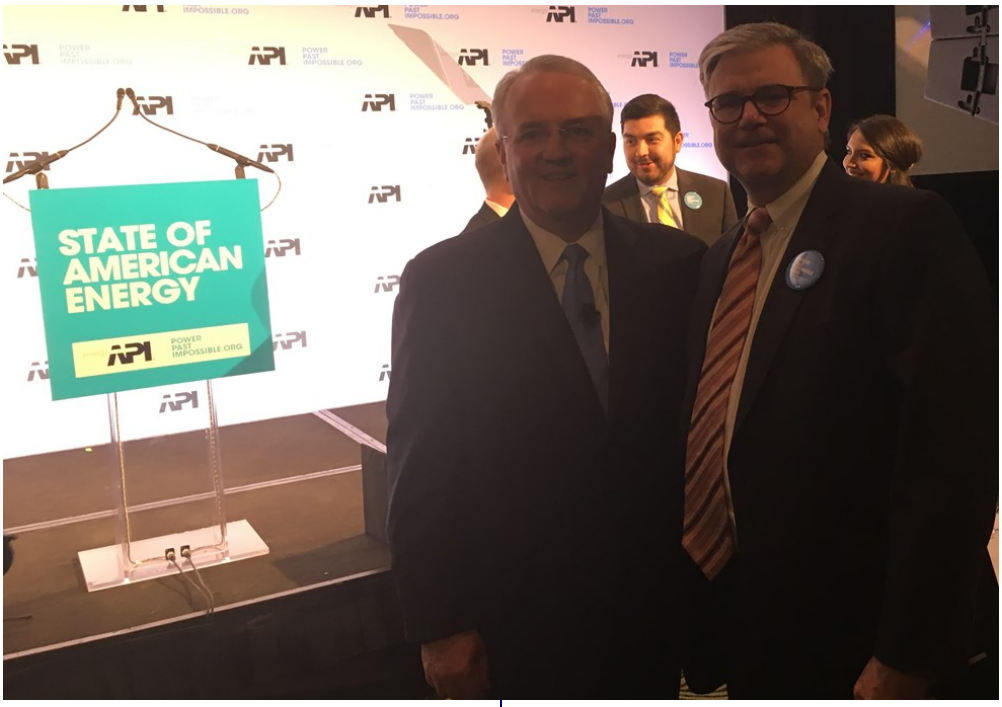
SSDA-AT Attends State of American Energy

By Roy Littlefield



(Above: WMDA/CAR Executive Director Jason Faust pictured with API President and CEO Jack Gerard)

SSDA-AT recently attended API's State of American Energy.

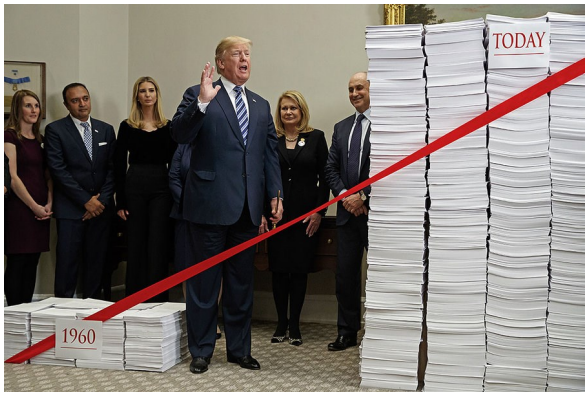
Gerard delivered the following message:

"As the world's leading producer and refiner of natural gas and oil, the United States is strongly positioned to meet its energy needs today and tomorrow, making our country more secure in the world and increasing opportunity as we power past seemingly impossible challenges. We're committed as an industry to ensuring reliable supplies pf energy so the nation remains strong today as we help build a better future.

As our companies look to the future, there's tremendous opportunity to strengthen our industry by building a workforce that better reflects America's increasing diversity. Industry needs the skill sets, values, and lie experiences of American's from all regions, race and genders to meet the nation's energy challenges to come, and we're working toward that by supporting education initiatives and fostering an interest in STEM fields, so that student might someday become a part of our growing workforce.

Let me close by saying that energy is a nonpartisan issue. Secure, affordable energy is fundamental to American life, prosperity and security, and as such it rises above politics as usual. Sound policies, such as those outlined near the end of this report, will help ensure that the reliable energy Americans count on will be available now and in the future."

Trump Touts Deregulation by his Administration



President Trump announced plans for more deregulation in the coming year with the release of the administration's second regulatory agenda.

At a ceremony in the White House, Trump said the federal agencies beat the goal he set when he took office to cut two rules for every new rule proposed and add no new regulatory costs to the economy.

"Today I'm proud to announce we beat our goal by a lot," he said. "Instead of adding costs as so many others have done … for the first time in decades, we achieved regulatory savings. Hasn't happened in many decades. We blew our target out of the water."

The administration withdrew or delayed 1,579 planned regulatory actions in 2017, according to the semi-annual Unified Regulatory and Deregulatory Agenda published by the White House Office of Management and Budget (OMB). The regulatory agenda acts as a policy blueprint of sorts for federal agencies.

Trump said his administration has eliminated 22 regulations for every one that has been added.

"Instead of eliminating two old regulations for every one new regulation, we have eliminated 22; that's a big difference," Trump said. "We aimed for 2 for 1 and in 2017 we hit 22 for 1, and by the way, those regulations that are in place do the job better than all the other regulations and they allow us to build and create jobs and do what we have to do."

The 22 for 1 count represents 67 deregulatory actions and three regulatory actions agencies made through September, according to Neomi Rao, administrator of the Office of Information and Regulatory Affairs (OIRA).

Rao told reporters that those rules, which included agency guidance and rules repealed by Congress under the Congressional Review Act, are gone and account for $570.4 million in regulatory savings a year.

As for the 1,579 rules that OIRA said agencies withdrew or delayed, Rao said those are a separate batch of rules that are being reconsidered.

James Goodwin, a senior policy analyst at the Center for Progressive Reform, accused the administration of padding its numbers.

The Trump administration, he said, can only take partial credit for the rules repealed by Congress.

Getting rid of 67 rules may not sound like a lot to some, but Rao called it impressive. She reminded reporters that regulators still have to go through the rulemaking process to get rid of a rule, which takes time.

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Trump Touts Deregulation by his Administration

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"Over Republican and Democratic administrations the regulatory burdens have increased," she said. "We're at a net-negative regulatory for costs and that's a real turnaround from what we've seen in the past."

Trump, who is winding down his first year in office, has had few legislative victories, but has made headway in fulfilling his campaign promise to cut down the nation's regulatory rulebook.

Trump said the never-ending growth of red tape has come to a "sudden, screeching and beautiful halt."

He challenged his Cabinet officials to push even harder to cut more regulations in 2018, which he said "should just about do it."

"I don't know if we'll have any left to cut, but we'll always find them," he said.

The unified agenda says agencies plan to finalize three deregulatory actions for every new regulatory action in 2018, which they estimate will saving $686.6 million per year.

Before cutting a red ribbon with oversized scissors that were draped across stacks and stacks of paper lined against a White House wall, Trump said his administration is going to get the Federal Regulatory code back down from the over 185,000 pages it is today to the 20,000 pages it was in 1960.

"We're going to cut a ribbon because we're getting back below the 1960 level and we'll be there fairly quickly," he said. "We know that some of the rules contained in these pages have been beneficial to our nation and we're going to keep them."

Trump said his administration is going to protect the health and safety of workers, water, air and our country's natural beauty.

"But every unnecessary page in these stacks represents hidden tax and harmful burdens to American workers and American businesses and in many cases mean projects never get off the ground," he said.

Regulatory advocates were quick to slam Trump, calling his deregulatory push "self-serving" and dangerous to Americans.

"Trump wants to take our country back to a 1960's level of regulation. I don't think any Americans are nostalgic for burning rivers, haze you can't see through, exploding cars and cars with no seatbelts. But apparently President Trump is," said Amit Narang, a regulatory policy advocate at Public Citizen.

A number of deregulatory actions mapped out in the unified agenda have already been announced by Cabinet officials, including the Education's Department's plan to re-do two Obama-era rules aimed at protecting students from predatory for-profit colleges and the Environmental Protection Agency's plan to repeal the Obama-era water pollution rule known as Waters of the U.S.

The Labor Department announced plans to reconsider, revise or remove provisions in an Obama-era rule that requires certain employers to track workplace injuries and illnesses and submit data electronically to the Occupational Safety and Health Administration.

Stay Involved!

In 2018, we expect potentially hundreds of bills around the country to be introduced on state and local levels that will impact the service station and automotive repair industry.

SSDA-AT will continue to be a leader facing these bills. We ask that you stay involved throughout 2018 and do your part to help yourself and the industry!

2018 Standard Mileage Rates Released

The Internal Revenue Service (IRS) has released the 2018 optional standard mileage rates that employees, self-employed individuals, and other taxpayers can use to compute deductible costs of operating automobiles (including vans, pickups and panel trucks) for business, medical, moving and charitable purposes.

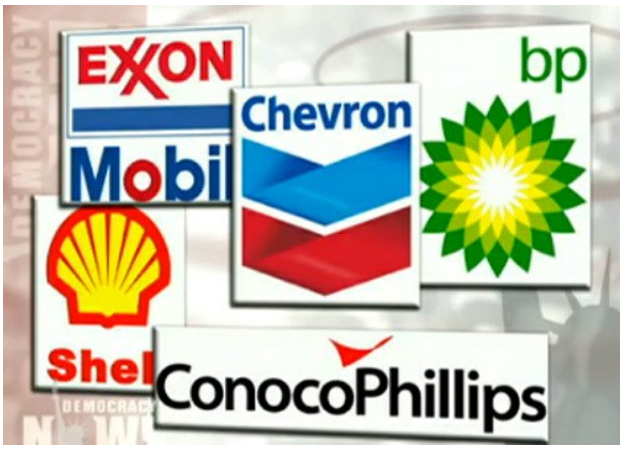
The 2018 standard mileage rate has increased to 54.5 cents per mile for business uses and 18 cents per mile for medical and moving uses. It remains at 14 cents per mile for charitable uses.

The updated rates are effective for deductible transportation expenses paid or incurred on or after January 1, 2018, and for mileage allowances or reimbursements paid to, or transportation expenses paid or incurred by, an employee or a charitable volunteer on or after January 1, 2018.

New York City Suing Major Oil Companies Over Global Warming

New York City is suing five oil companies over climate change.

The city is suing BP, Chevron, ConocoPhillips, Exxon Mobil and Royal Dutch Shell, according to The Associated Press.



New York alleges the five major oil companies have played a role in global warming, the AP reported and is seeking to recoup billions of dollars spent preparing for climate change.

The city previously said it was going to divest its five pension funds from fossil fuel companies, according to the AP.

In a statement about plans to divest, de Blasio said New York City is "standing up for future generations by becoming the first major US city to divest our pension funds from fossil fuels."

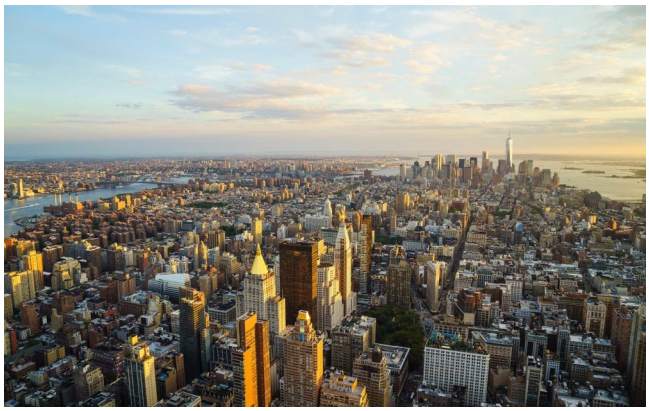
“At the same time, we’re bringing the fight against climate change straight to the fossil fuel companies that knew about its effects and intentionally misled the public to protect their profits," he said.

"As climate change continues to worsen, it’s up to the fossil fuel companies whose greed put us in this position to shoulder the cost of making New York safer and more resilient.”

"ExxonMobil welcomes any well-meaning and good faith attempt to address the risks of climate change. Reducing greenhouse gas emissions is a global issue and requires global participation and actions," the company said in a statement. "Lawsuits of this kind — filed by trial attorneys against an industry that provides products we all rely upon to power the economy and enable our domestic life – simply do not do that," they added.

A spokesman for Shell said the issue of global warming is not one that should be handled in the courts. A spokesman for BP declined to comment to the AP.

Last year, San Francisco and Oakland sued the five major oil companies, blaming them for the effects of climate change. The cities in September each filed a lawsuit in their respective county courts against the oil companies.



Big Oil Finds Hurdles Buried in Trump's 'America-First' Tax Plan

For Big Oil, the U.S. tax overhaul is turning out to be a mixed bag, especially for companies that drill overseas.

Two weeks after President Donald Trump and congressional Republicans passed a sweeping rewrite of the tax code that cuts corporate rates, drillers are finding other changes that are less of a boon. BP Plc and Royal Dutch Shell Plc offered a preview recently, saying they may write off as much as $4 billion in tax assets as a result.

Caps on debt-interest payments and cuts to deductions from previous years' losses may hurt companies building capital-intensive projects with borrowed money. And other provisions, including time limits on expensing exploration, could hem in drillers with long-term projects, including Exxon Mobil Corp. and Chevron Corp. That may also give an edge to domestic shale production.

"This is an America First-type tax plan so oil and gas companies that have the majority of their business in the United States are going to do better than multinationals generally," said Andrew Silverman, a Bloomberg Intelligence analyst in New York.

Cutting the corporate rate to 21 percent from 35 percent likely makes the legislation positive overall, according to Greg Matlock, America's energy tax leader for EY, a global accounting and consulting firm. "But that's tempered somewhat by several important provisions," he said in an interview.

Those provisions include curveballs that could blunt or even eliminate the benefit for some sectors, including refining, BI said in a report Thursday. That's added a tinge of uncertainty as the industry prepares to unveil fourth-quarter earnings later this month.

"We're going to have to see what companies say in their earnings call to get a sense of how they see this new law," Silverman said. "In some cases it may be surprising." Here's a look at how the overhaul may affect oil and gas businesses:

Writing Off Losses

One downside to the lower corporate rate: Companies with so-called tax assets -- deductions from future earnings due to past losses -- will see the value of those deductions reduced. Furthermore, the new rules allow businesses to offset no more than 80 percent of a year's earnings, down from 100 percent previously, according to Steve Marcus, a Dallas-based tax partner at Baker Botts LLP.

As a result, Shell said it may take a charge of as much as $2.5 billion against its fourth-quarter results. BP put the impact at $1.5 billion, although both said they expect the tax bill to be a help in the long term.

"A number of the US E&Ps will experience something similar," Leo Mariani, an Austin-based analyst at NatAlliance Securities LLC, said by email. This "is just a non-cash accounting charge and is a one-time hit to net income."

By contrast, EOG Resources Inc. will post a one-time gain of $2.2 billion at its fourth-quarter results because of a net deferred tax liability, the Houston-based company said Jan. 4.

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Big Oil Finds Hurdles Buried in Trump's 'America-First' Tax Plan

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Exploration Expenses

The law's repeal of the alternative minimum tax for businesses will eliminate the ability to amortize exploration costs, according to Bloomberg Intelligence. Those costs will now expire, for tax purposes, if they're not used to offset income the year they're incurred.

That could favor shale explorers whose wells come online in a matter of months over more conventional drilling operations that may take several years to start producing oil and gas, Silverman said.

Brent crude gained 0.1 percent to $67.71 a barrel at 2:05 p.m. in New York, bringing the gain since July 1 to 41 percent.

Multinational Income

Domestic output may gain other incentives as well, as the legislation raises barriers to multinational companies that seek to transfer some income outside the U.S. The impact will be complicated, though, by the international nature of huge oil companies. Explorers with global reach such as Exxon or Hess Corp. also own some of the largest footprints in U.S. shale fields these days.

Representatives from Exxon and Hess declined to comment. Chevron said it's evaluating the new rules and its plans to invest $8 billion in the U.S. this year are unchanged.

Interest Deductions

Under the new rules, the amount of interest a company can deduct cannot exceed 30 percent of its adjusted taxable income. Before, companies could deduct all of their net interest expense.

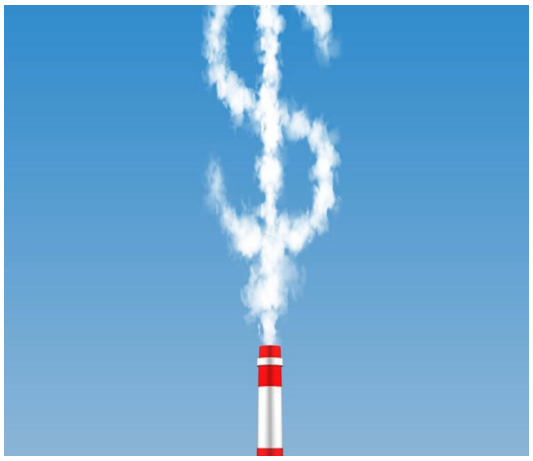
"That's likely to hit a fair number of those highly-leveraged companies," Marcus said. "It's definitely a big negative."

Refiners' Credits

The law ends a production tax credit that allowed refiners to deduct 6 percent of "qualified" activities, including refining, processing, transportation and distribution of oil, gas or petroleum products. The credit was so broad it likely sheltered more taxable income for many companies than the benefit they'll get from more capital expensing, according to BI.

Still, refiners are in a better position to take advantage of tax changes than explorers or oilfield service companies, which have struggled to make money in recent years, Guy Baber, a Piper Jaffray & Co. analyst, said last month. Refineries have enjoyed healthy profit margins thanks to cratering prices for their main feedstocks, oil and natural-gas.

"The refiners are unique in that they have generated positive pre-tax income," Baber said. "If you're losing money, it doesn't really matter what the tax rate is."



A Look at 2018 Legislation– SSDA-AT

With tax reform now signed into law, there are a number of other issues that Congress will be wrestling with over the next year. SSDA-AT expects to be largely involved with any infrastructure proposals, efforts on tax extenders, and changes to healthcare.

Here is a look at a few big issues we will be involved with in 2018:

1**. Reforming healthcare.** The Affordable Care Act, also known as Obamacare, has been undergoing an overhaul of sorts, but it has yet to be repealed and may never be. Senate Majority Leader Mitch McConnell, R-Ky., said he will attempt to pass healthcare legislation to fund Affordable Care Act cost-sharing payments and provide funds to states for reinsurance programs or high risk pools. SSDA-AT says there appears to be little support for the legislation among House Republicans.

2. **Funding infrastructure**. The Trump Administration has made a $1 trillion infrastructure package a priority for 2018. SSDA-AT believes little details exist about the nature of such a proposal for how it will be funded.

3. **Extending the Work Opportunity Tax Credit.** The Federal tax credit is available to employers who hire individuals from certain target groups, such as unemployed and disabled veterans; vocational rehabilitation referred individuals; ex-felons; and qualified long-term unemployment recipients. The credit will continue through Dec. 31, 2019 and we will look to extend it beyond that.

4. **Managing the Estate Tax.** The new tax plan didn't repeal it, but it did double the exemption levels through the end of 2025. We are happy the exemption was raised, as this will help more SSDA-AT members. But we have several other members who will still be negatively impacted by the estate tax and will find themselves over the exemption because of the value of their business.

We will support any efforts made in Congress to fully repeal the tax. But we do not expect any big efforts being made in the near future given that the tax reform package just passed. Yet the President still has a personal stake in trying to repeal the estate tax and it was a campaign promise, so efforts could always resurface.

At the beginning of the month, we attended the State of American Energy. API President and CEO Jack Gerard gave an address as to where America stands as a global energy leader. He shared the following message: "As the world's leading producer and refiner of natural gas and oil, the United States is strongly positioned to meet its energy needs today and tomorrow, making our country more se-

A Look at 2018 Legislation– SSDA-AT

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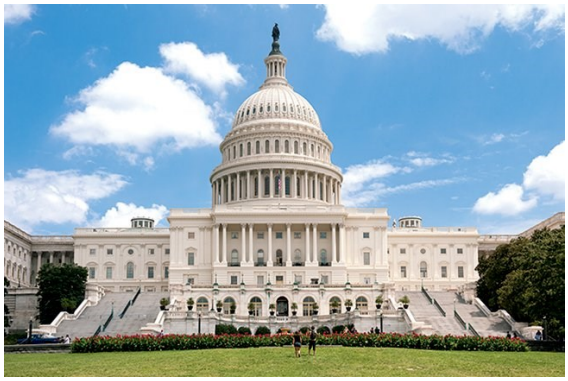
cure in the world and increasing opportunity as we power past seemingly impossible challenges. We're committed as an industry to ensuring reliable supplies pf energy so the nation remains strong today as we help build a better future."

We recently attended a lunch with Congressman Peter DeFazio, 4th Congressional District, Oregon, Ranking Democrat of the House Transportation & Infrastructure Committee. Congressman DeFazio has taken a lead role on several multi-billion dollar surface transportation and FAA reauthorization bills, and worked to strengthen Buy America standards. In 2005, DeFazio served as the Ranking Member on the Highways Subcommittee where he helped negotiate a five-year federal highway and transit spending bill called SAFETEA-LU. More recently, Congressman DeFazio introduced the Repeal and Rebuild Act (HR 4848), a long-term solution to replenish the Highway Trust Fund. As the Ranking Member of the House Transportation & Infrastructure Committee, Congressman DeFazio continues to fight for infrastructure investment that results in job creation, increased safety, economic efficiency and strategic growth.

DeFazio shared with us his thoughts on the state and future direction of the Federal Aid Highway Program. DeFazio has proposed a number of funding options including a significant gas tax increase that would include indexing. He is concerned that the current spending levels will not be able to be sustained and that in only a few years we will be facing a tremendous deficit in transportation funding unless we find new sources of revenue. The President wants to pass a transportation bill this year but he continues to differ in matters of funding the bill with Congressman like DeFazio.

SSDA-AT will be involved in a variety of state legislation around the country in 2018. We look to strengthen our relationships in state capitols. We have remained close to the Maryland legislature. On January 10th, the Maryland legislative session opened and I attended and met with over 50 legislators, the Comptroller, and Governor Hogan.

We will need you to stay involved in a variety of issues on the state and federal level in 2018!



State Tax Changes That Took Effect on January 1, 2018

Many states rang in the new year with changes to their tax codes. Overshadowed in the public consciousness by federal tax reform, tax changes at the state level are nonetheless highly significant. Here are the key changes implemented at the state level on January 1, 2018.

Connecticut: Large businesses have long faced a 20 percent surtax on the state's standard 7.5 percent corporate rate, bringing the top marginal rate to 9 percent. On January 1, the surtax dropped to 10 percent, bringing the top marginal rate to 8.25 percent. This reduction was part of the extension of the surtax adopted in 2015.

Delaware: The Delaware estate tax has been repealed effective January 1, thanks to legislation signed last year implementing a recommendation of a state advisory committee.

Hawaii: After allowing temporary income tax increases to expire last year, Hawaii has reimposed its formerly temporary rates on a permanent basis, reinstating three brackets and raising the top marginal rate from 8.25 to 11 percent, coupled with the adoption of a nonrefundable state-level earned income tax credit (EITC) at 20 percent of the value of the federal credit.

Mississippi: Mississippi begins phasing in a range of tax reforms adopted in 2016, including phasing out the 3 percent individual income tax rate (by exempting, this year, the first $1,000 of income, phasing out the bracket entirely by 2022) and creating a deduction for a portion of the federal self-employment tax. The first $100,000 of capital value is now exempt from the state's franchise tax as well, after which the franchise tax will begin to phase out through 2028.

New Jersey: The estate tax is gone—for now. In 2016, Gov. Chris Christie (R) negotiated a tax reform deal with Democratic legislative leaders which raised the gas tax but set the estate tax on a two-year phaseout. Incoming Gov. Phil Murphy (D) opposed repeal and may seek to restore the tax for tax year 2018.

New Mexico: In the culmination of a multi-year phasedown, New Mexico reduced its top corporate income tax rate from 6.2 to 5.9 percent on January 1. The top rate was 7.6 percent in 2013.

New York: The state continues to phase out its franchise tax, with the rate declining to 0.075 percent on January 1 and full repeal anticipated for 2021.

Tennessee: Although Tennessee forgoes a wage income tax, it does impose a tax—called the Hall Income Tax—on interest and dividend income. That tax is being phased out, with the rate dropping from 4 to 3 percent on January 1. Full repeal is scheduled for 2021.

District of Columbia: The final phase of the District's 2014 tax reform package went into effect on January 1, including increases to the individual income tax standard deduction and personal exemption, a corporate franchise tax rate reduction (from 8.75 to 8.25 percent), and a higher estate tax threshold.

US Natural Gas Production Gains May Help Keep Prices in Check: EIA

With ample natural gas supplies continuing to come from the Marcellus and Utica shale plays, significant gains in production are expected between 2017 and 2018, offering some price pressure at a time when other factors are poised to push prices up, the US Energy Information Administration said in its monthly outlook. US gas production is forecast to rise in both 2017 and 2018 after declining during 2016, the first annual decline since 2005.

EIA, in its December Short-Term Energy Outlook, put 2017 US natural gas marketed production at an average 78.82 Bcf/d, a 60 MMcf/d upward revision from its prior estimate, reflecting a 1.3% rise over 2016 output levels. Production for full-year 2018 is forecast to average 85.53 Bcf/d, up 730 MMcf/d from the prior estimate, and would be an 8.5% rise over 2017 output. EIA raised by 410 MMcf/d to 82.28 Bcf/d its gas marketed production estimate for fourth-quarter 2017. The December outlook also raised its Q1 2018 production forecast by 260 MMcf/d to 84.07 Bcf/d.

"Increased takeaway capacity from Appalachia is expected to result in increased natural gas production in the coming months and could limit significant upward price pressure, although colder-than-normal temperatures throughout the rest of 2017 could contribute to price increases," the agency said in its outlook.

EIA raised its Q4 Henry Hub natural gas spot price forecast 2 cents to $3.01/MMBtu, and projected prices would also average $3.01/MMBtu for full-year 2017. Growth in gas exports and domestic gas consumption are seen pushing up prices in 2018 to average $3.12/MMBtu, EIA said. Its Q1 price forecast also rose 2 cents from the previous month to $3.26/MMBtu. Although prices are headed up, price volatility is expected to be milder than past years, EIA said.

"After reaching a three-year low in August 2017, volatility has been steadily increasing, as is typical heading into winter, but it remains below the volatility levels seen in November 2015 and 2016," the agency said. For instance, gas futures prices traded within a 31-cent range in October, the narrowest range for that month since 1995, EIA said in the outlook. Further, "natural gas production has shown year-on-year growth since June 2017, and inventories are within 1% of the five-year-average level, which may moderate implied volatility," EIA added.

As for growing gas demand that is pushing prices up, EIA expects new gas export capabilities to raise gross LNG exports to 3.03 Bcf/d in 2018 from 1.94 Bcf/d in 2017. Gross pipeline exports also are on the rise, reaching 6.75 Bcf/d in 2017, then hitting 7.31 Bcf/d in 2018, EIA said. Domestic gas demand is expected to slip to an average 73.71 Bcf/d in 2017 from 75.10 Bcf/d for full-year 2016 as power sector consumption declines, then rebound in 2018 to an average 76.85 Bcf/d, according to EIA's outlook. The agency lowered its gas consumption estimates 90 MMcf/d to 77.78 Bcf/d for Q4, and by 180 MMcf/d to 93.45 Bcf/d for Q1.

The agency's outlook projected power generation from gas to fall to 32% of total US utility-scale generation in both 2017 and 2018 from an average of 34% in 2016 due to higher gas fuel costs and increased generation from renewable energy sources.

Coal's share of the generation mix is expected to be unchanged at 30% in 2017 and see a slight uptick to 31% in 2018.

"Renewables, not including hydroelectric generation, should gain two percentage points in their share of utility-scale generation from about 8% in 2016 to 10% in 2018," EIA Acting Administrator John Conti said in a statement. "A significant part of that projected increase is tied to the forecast growth in wind generating capacity during 2018."

Specifically, wind generating capacity is expected to reach 88 GW by the end of 2017 and rise to 96 GW by the end of 2018. Utility-scale solar capacity is forecast at 27 GW by the end of 2017 and 30 GW by the end of 2018, EIA said.

Petrochemical producers push US investment decisions to 2018

Some petrochemical producers considering major US projects have pushed final decisions on whether to move ahead with them to 2018 from this year, they said.

Total Petrochemical and PTTGC America had said they expected to make final investment decisions on potential projects by the end of 2017, but now say announcements will come this year.

Total is working with Canada's NOVA Chemicals and Austria's Borealis "to finalize the definitive agreements that would lead to the creation of a new joint venture in early 2018 after relevant regulatory approvals," Total spokeswoman Tricia Fuller said in an email late Thursday.

The French company in March announced plans to build a 1 million mt/year steam cracker at its refining and petrochemical complex in Port Arthur, Texas.

Ethylene from the cracker would feed a 625,000 mt/year polyethylene plant to be operated by NOVA and Borealis about 77 miles west, near the mouth of the Houston Ship Channel and next to Total's existing 400,000 mt/year PE plant.

PTTGC America, the US arm of Thailand's PTT Global Chemical, last week said the company would have a "significant update that will demonstrate momentum" for its proposed petrochemical complex in Belmont County, Ohio, in early 2018, according to a statement on the project's website.

The company already had pushed a FID to late 2017 from last summer to allow itself more time to evaluate engineering designs and the economic feasibility of the project.

In October, PTTGC America signed a memorandum of understanding with JobsOhio, an economic development group in the state, to establish an infrastructure development plan to enhance communities surrounding the project site post-FID.

ExxonMobil and Sabic also could make an FID on a petrochemical complex near Corpus Christi with a 1.8 million mt/year cracker this year as well.

Sabic CEO Yousef al-Benyan told Reuters in November that the FID could come by the end of 2018, after telling the agency last January that the decision could come by the middle of this year.

ExxonMobil has consistently said the FID would come after the companies received the necessary permits, many of which are pending review by the Texas Commission on Environmental Quality.

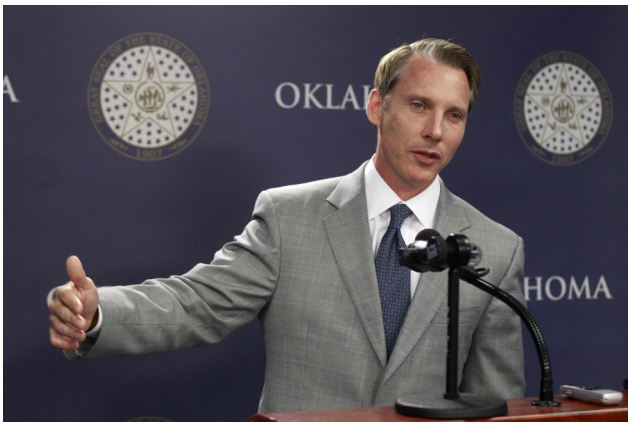
"At this point, our focus is on completing the permitting process, at which time, we'll be able to make a decision on FID," spokesman Aaron Stryk said in an email.

Earlier in December, ExxonMobil and Sabic signed a lease agreement with the Port of Corpus Christi for a new cargo dock and marine terminal near the project site.

Oklahoma Draws in More Oil, Gas Taxes

While still in the midst of a long struggle over budget measures, the Oklahoma Treasury Department said gross tax receipts so far are indicative of growth.

State Treasurer Ken Miller said gross tax receipts paid to his agency in November were up 12 percent, or $98.6 million, from the same time last year at $893.4 million.



"Gross receipts to the treasury, insomuch as they indicate general economic activity, paint an encouraging picture as we enter the holiday period," he said in a statement.

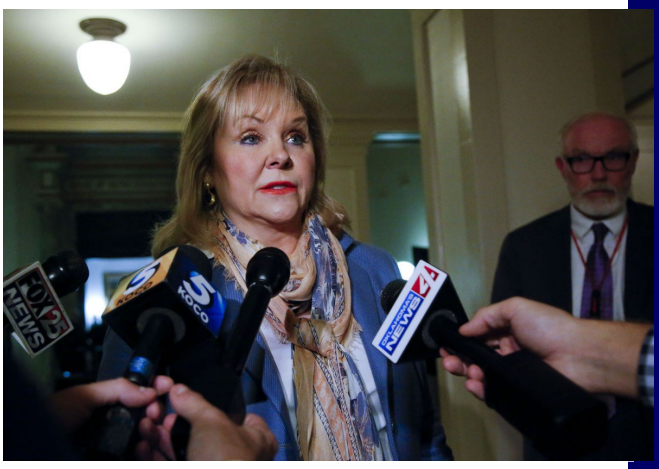
Oklahoma is home to about 4 percent of the total petroleum reserves in the country and accounts for as much as 5 percent of the total crude oil production. Taxes on oil and gas production generated $52.7 million for the state in November, up 54.8 percent from last year and 1.3 percent higher than the previous month.

Miller's office said new revenue generated last month from a 1 percent tax increase on production from horizontal drilling into the state's shale basins to 4 percent totaled $7.8 million.

Overall, the state reported general improvements in the business climate. The Oklahoma Business Conditions Index, however, moved down three notches in November to 60, though anything above 50 is indicative of future economic growth.

Gov. Mary Fallin last month vetoed all-but five of the 170 sections of House Bill 1019X, legislation aimed at fixing the state budget, because it came "perilously close" to wiping out the state's available one-time funds and savings. Emergency appropriation has kept most state agencies running.

Fallin has yet to call for another special legislative session to try to address the budget. A subpoena was issued, but later withdrawn, by the state House of Representatives for her chief of staff last week to address "serious financial issues" with some of the state's agencies.



Oil, gas companies prep for 'Great Crew Change'

In a cover story called "twentysomething," Time magazine described a generation that is indecisive, lazy and has a nonexistent attention span. The year was 1990. The generation was Gen X. In 2013, Time printed a cover article about millennials, those born from 1980-2000. The concept was the same. Many of the criticisms were the same. The difference? According to the article, millennials make up the biggest age group in American history at 80 million. That means whether the world is ready for the personality pitfalls associated with them, millennials are about to comprise the majority of the workforce.

In the oil and gas industry, that change is going to happen sooner rather than later, a phenomenon many in the business call "The Great Crew Change."

After the oil bust in the 1980s, millions of jobs were cut from the industry. As oil prices stayed low, few college students were entering energy-related fields and the number of new hires stagnated. Had they been hired, those people would now be in or on the trajectory to leadership positions in the industry. Instead, the age range for oil and gas employees is a U-shaped curve. There are many oil and gas employees near retirement age, and many — you guessed it — millennials.

"It's expected that half of the workforce is going to retire within a decade," said Sarah Sandberg, chief operating officer at the Colorado Oil and Gas Association. "So there's a really fast approaching challenge of transferring knowledge to millennials. They're going to be asked to step up sooner rather than later, and that gap between the old and new workers needs to be filled in as quickly and effectively and efficiently as possible."

SWAPPING PERSPECTIVES

Sandberg said to do that requires a proactive approach now, rather than once the retirements begin. The way to do that is to embrace millennials, she said, and to look at the generation's traits as opportunities rather than challenges.

While millennials may be glued to technology, they're also born digital natives, Sandberg said. The potential for technological innovation is huge.

Millennials look for more flexible work environments and better benefits packages. These things, such as extra or flexible paid time off or more work-related recreational opportunities, require companies to make culture shifts and find the funds to do it, but they're things that benefit all employees, she said.

And finally, since millennials are known for a desire for instant gratification, Sandberg said the opportunity to solve problems — and solve them fast — is huge. For example, if the need for a new software, technology or kind of machinery comes up, that gap can be filled faster than ever.

IN THE CULTURE CLUB

At Liberty Oilfield Services, based in Denver, 53 percent of the workforce is already made up of millennials, according to Audrey Carlson, MarCom manager. And the company is thriving. The company has done a lot of work to create a culture ideal for not only their younger half of the workforce, but also the older. A vibrant work culture is the key to retaining a generation that's notorious for being job-hoppers, Carlson said (though she points out that they've seen such marked loyalty from their millennial employees, she doubts there's much truth to that stereotype at all).

Liberty offers a Culture Club to their employees, which hosts social events, organizes volunteer opportunities and promotes at-work activities, such as yoga, shuffleboard and new-employee lunches. The company has a flexible paid-time-off schedule, beer and wine taps and every other Friday off. These benefits are cross-generational,

Oil, gas companies prep for 'Great Crew Change'

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Carlson said. Though they may have been brought on board to entice millennials, they're big draws for every employee.

"They all love the freedom," Carlson said. "Now baby boomers have grandkids at home, where millennials may be focused on their family life with their newborn kids or young children. They like the flexibility."

THE BIG PICTURE

But changing a workplace culture to fit a changing workforce isn't all beer taps and downward-facing-dog. To recruit and retain the number of millennials necessary to replace retiring baby boomers, the oil and gas industry needs to do an image overhaul, Sandberg said.

"It's the same issue that we face with the general public. The oil and gas industry can do a much better job of telling stories," she said. "This generation is incredibly environmentally focused, and we haven't yet shown (them) what our values are."

Sandberg said there's a lot of environmentally conscious efforts, research-driven development and a culture of innovation in the oil and gas industry now that does align with millennials' desire to do right by the planet, but the industry just hasn't told their story well enough yet. But the industry is working to increase the number of people globally who have no access to energy, while simultaneously decreasing land and water use, she said.

FOSTERING DIVERSITY

Another opportunity for the industry is to increase and foster a culture of diversity. While millennials are the largest generation to date, they're also the most diverse, according to Rebecca Winkel, economic policy adviser at the American Petroleum Institute.

Energy information analysis company IHS projects that through 2035, nearly 1.9 million jobs will be available in oil and natural gas, and nearly 1 million of those will be filled by African-American, Hispanic or female employees.

The biggest obstacle to diversity in the oil and gas workforce as it currently stands is the opportunity for STEM — science, technology, engineering and mathematics — education for women and minorities. Winkel said the biggest thing the oil and gas industry can do to ensure millennials — all millennials — can help fill the coming seats at the table is to ensure equal opportunities to education.

"We want to attract and retain the best available talent, and that means encouraging more women and more minorities to pursue STEM fields," she said. "It means increasing awareness about the opportunities in the industry and the positive impact we have in people's lives every day. It means building relationships with women and communities of color in order to make sure we have the best generation of workers available to tackle the energy challenges of the future."

One of the biggest things the oil and gas industry can do to recruit millennials — and to help stop any job-hopping before it starts — is to make sure these young workers know what they're a part of is meaningful, Sandberg said.

One of the common observations about millennial employees is that they often try to find a sense of purpose in their job. There's plenty of purpose within the industry — it's just a matter of getting that message out en masse, she said.

"Many people don't realize that oil and natural gas matter on almost every aspect of our lives. Everything from your lipstick to your vitamins to the football in your garage to every piece of plastic out there is made from products derived from oil and natural gas. Plus, affordable energy benefits everyone," Winkel said. "This is an industry for the future, and for millennials who want to be a part of changing the world for the better, this is the industry to do it."

Oil field costs expected to rise in 2018, survey shows

Ninety percent of oil producers expect to pay more to drill wells and pump oil in 2018 as crude prices hover above $55 a barrel and companies spend billions more, a recent survey shows.

Almost two thirds of those companies said oilfield services costs could increase up to 10 percent next year, with prices for pressure pumping rising as much as 15 percent, according to the Barclays survey of oil companies.

Over the past few years, North American energy companies have touted efficiency gains that have made it cheaper to produce oil and gas. Those efficiency gains are a mix of both low oilfield service prices and technological breakthroughs.

More than half of the surveyed companies (51 percent) think rising oilfield costs will erase at least 75 percent of those efficiency gains. But the percentage of companies that think those gains are 25 to 50 percent structural, rather than cyclical has risen to 37 percent from 26 percent this time last year.

Thirty percent of those oil companies said they'd outspend their cash flow by more than 120 percent, down from 40 percent in last year's survey. More than half of this year's respondents said they expect to spend within their cash flow.

The Barclays survey also showed oil companies planned to boost spending 21 percent next year, compared to a 35 percent lift this year. International spending is slated to increase 4 percent, compared with a 3 percent decrease this year.

SSDA-AT Meets with Congressman

We recently attended a lunch with Congressman Peter DeFazio, 4th Congressional District, Oregon, Ranking Democrat of the House Transportation & Infrastructure Committee. Congressman DeFazio has taken a lead role on several multi-billion dollar surface transportation and FAA reauthorization bills, and worked to strengthen Buy America standards. In 2005, DeFazio served as the Ranking Member on the Highways Subcommittee where he helped negotiate a five-year federal highway and transit spending bill called SAFETEA-LU.

More recently, Congressman DeFazio introduced the Repeal and Rebuild Act (HR 4848), a long-term solution to replenish the Highway Trust Fund. As the Ranking Member of the House Transportation & Infrastructure Committee, Congressman DeFazio continues to fight for infrastructure investment that results in job creation, increased safety, economic efficiency and strategic growth.

World Bank to cease financing upstream oil and gas after 2019

The World Bank will no longer finance upstream oil and gas projects after 2019, apart from certain gas projects in the poorest countries in exceptional circumstances, it said recently, drawing praise from environmental groups.

The announcement came as French President Emmanuel Macron told dozens of world leaders and company executives at a climate summit that they were losing the battle against climate change and needed to react.

Greenpeace welcomed the move.

"The World Bank ... has sent a damning vote of no confidence to the future of the fossil fuel industry," Greenpeace International climate campaigner Gyorgy Dallos said, challenging banks to follow suite.

Stephen Kretzmann, of the Oil Change International advocacy group, said it was time for all of the institutions, countries, investors and individuals who are still in the Paris Agreement to stop funding fossil fuels.

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