

INSIDE THIS ISSUE:

Government Affairs	1
Energy Legislation 2017	2, 3
New Oil Sands	4
Marketplace Fair	4
Global Dominance	5
Spending Fights Ahead	6, 7
Offshore Drilling Rules	8, 9
Ohio Fracking	10
API Pushes for Drilling	11
Pipeline Permitting	12
Shale Oil Demand	13
Buy American Rule Pushback	14, 15
Delayed Gas Line	16
Letter to the Editor	17
Shale Drillers/ RPM Act Update	18

Government Affairs Update

By Roy Littlefield

The House and Senate have reintroduced separate legislation — the Remote Transactions Parity Act (H.R. 2193) and the Marketplace Fairness Act (S. 976) — that closes the loophole permitting online merchants to avoid charging sales tax for internet purchases if they do not have a nexus in the state.

SSDA-AT supports the Remote Transactions Parity Act (H.R. 2193) and the Marketplace Fairness Act (S. 976) so that local family owned businesses in the tire industry can compete fairly with large online corporations.

These bills address very important issues for our members and we will expand our legislative efforts with its introduction to gain support in Congress. Both bills take different approaches to ending unfair competition caused by this loophole, which puts brick-and-mortar retailers at a price disadvantage to remote sellers.

This has been an important piece of legislation for SSDA-AT members and we will continue lobbying efforts to gain support on these bills.

This month we also worked on WOTC. Good news for WOTC supporters is word that Trump's plan will include no "pay-for's," that is, revenue increases to offset tax cuts in the plan. If adopted, this would make it easier to fit permanent WOTC into the tax reform bill.

Under the Trump plan, tax cuts would be funded by revenue expected from a sharp boost in economic growth stimulated by

tax reform and the President's budget. The President's plan wouldn't be revenue-neutral under scoring rules in the Budget Act, thus tax reform enacted via budget reconciliation would be limited to ten years under current law.

On May 4, the U.S. House of Representatives narrowly passed the American Health Care Act (AHCA) a vote of 217 to 213. Every House Democrat and 20 House Republicans opposed the measure. The AHCA was given new life after language intended to bolster high-risk pools to cover preexisting conditions was negotiated by Congressmen Fred Upton (R-MI) and Billy Long (R-MO).

The bill eliminates the employer and employee mandates; replaces the ACA's income-based subsidies with tiered tax credits, gradually increasing for older Americans; allows states to apply for waivers to define their own essential health benefit requirements; expands the limits for Health Savings Accounts; discontinues Medicaid expansion in 2020; and repeals most of the ACA's taxes.

The legislation would delay implementation of the Cadillac Tax by five years, from 2020 to 2025, and it importantly preserves the tax exclusion for employer sponsored insurance.



Lawmakers Optimistic about Energy Legislation in 2017



Just months after congressional efforts to enact the first major energy bill in nearly a decade sputtered, key House and Senate lawmakers signaled yesterday that another big push may rise from the ashes.

Senate Energy and Natural Resources Chairwoman Lisa Murkowski (R-Alaska) and ranking member Maria Cantwell (D-Wash.) reiterated their intent to resurrect the broad package they labored on for nearly two years of the 114th Congress, only to see it collapse in the closing days of the session when House Republicans walked away from the table.

"We're not done with our energy bill that we advanced last year," Murkowski said during a panel discussion at the Center for Strategic and International Studies. "That was a bipartisan effort that deserves to be enacted into law. And we will see that through, and I think that's a statement that you can take to the bank."

She and Cantwell assembled the package that addressed issues across the panel's wide jurisdiction, including energy infrastructure and efficiency, grid security, natural gas exports, the Land and Water Conservation Fund and wildfires. With input from 70 senators, the package passed the Senate 85-12 in April 2016.

The House approved its own energy bill that addressed a narrower scope of issues but later added a host of contentious provisions from the ENR Committee that had Senate Democrats worried about going into conference negotiations.

Lawmakers eventually launched those talks, but while Senate conferees said they were making progress, the House abandoned the effort in early December, saying they couldn't find agreement on outstanding issues.

Murkowski and Cantwell slammed their House counterparts for that stance at the time, and Cantwell in particular made clear yesterday that hard feelings remain over the slight.

"We went to every effort" to get an agreement, including marching to the House on a Sunday night to press their counterparts, Cantwell said during the CSIS event. "I think we left notes on people's desks, 'We're here. Where are you?'"

There has been talk for months about reviving the Senate package in part or in whole, and Murkowski said yesterday she intends to reintroduce the measure at an unspecified time with revisions.

"I think we've got an opportunity with what we built," she said in an interview.

"Everybody knows that, so I want to capitalize on that. So, no, I'm not interested in doing kind of, one here, one there, one there and then just do this one string of pearls."

Cantwell said she just wants to see the work completed.

Continued on page 3

Lawmakers Optimistic about Energy Legislation in 2017

Continued from page 2

"We want the House to own up to the fact that they dropped the ball on an important policy that needs to get done," she told E&E News yesterday. "That's what I want."

House maneuverings

Rep. Joe Barton (R-Texas), former chairman of the House Energy and Commerce Committee who now serves as the panel's vice chairman, said during an interview yesterday that Murkowski told him a couple weeks ago she wanted to advance a major energy package, a move that he foresees as likely.

"I think it's not only possible, it's probable," Barton said. "I think we're about to pass a health care bill and once we do that, I think we're going to see a re-energized spirit to get things done."

While new House Energy and Commerce Chairman Greg Walden (R-Ore.) recently said he hasn't settled on a strategy for legislating on energy, Barton said, "I think the environment is just better."

While not expressing a preference, Barton said moving a series of smaller bills could prove faster, especially once they have widespread support. "The bigger the bite," he said, "the harder it is to chew."

Another unknown is the upcoming push for a broad infrastructure package President Trump has said should total \$1 trillion. Murkowski, Walden and House Natural Resources Chairman Rob Bishop (R-Utah) have all suggested their committees will contribute to that effort.

Bishop, whose panel worked closely with its Senate counterpart during last year's energy

package negotiations, said he could envision another try.

"I think there is some stuff we can start without having to do a lot of the spade work again," said Bishop, who said he worked well with Cantwell on mutual priorities.

"They were very open to some things that were extremely important to us," the Republican said, citing a sportsmen's package and measures related to forest management for wildfire prevention.

Dems throw cold water

Despite Barton's enthusiasm, Energy and Commerce Democrats said yesterday they were nowhere near an agreement, including on issues like hydropower and natural gas pipeline permitting.

"I think we're still far apart," said Rep. Bobby Rush (D-Ill.), ranking member of the Energy Subcommittee, adding that tension over environmental issues is not only present but "dominant" in the deliberations.

Republicans, he said during a hearing yesterday, aren't willing to "seriously entertain" Democrats' concerns, and noted that past efforts that started out with unity or goodwill eventually fizzled and ended with both parties "miles apart."

At the hearing on draft legislation, debate among conservation and industry groups revealed continuing disagreements over critical environmental reviews and protections.

"Democrats are unwilling to forgo environmental concerns," Rush said. "[Republicans] want to ignore the environmental and public safety concerns."

Suncor to Apply to Build New Oil Sands Project in Northern Alberta

May 8 Suncor Energy Inc , Canada's largest oil and gas producer, said on Monday it plans to submit an application to regulators for a new thermal oil sands project later this year, which could eventually produce up to 160,000 barrels per day.

The Lewis project, located approximately 25 kilometres northeast of Fort McMurray in northern Alberta, will be developed in stages and produce for an estimated 25-40 years.

Suncor said it has not yet formally sanctioned the project, but if it goes ahead construction could begin in 2024, with first

steam being pumped into the reservoir to liquefy and extract tarry bitumen in 2027.

The Calgary-based company also said it is exploring new technologies to develop the Lewis resource, such as using solvents or electromagnetic heating instead of steam for bitumen extraction.



Marketplace Fairness Act for Online Sales Introduced in Congress

The House and Senate have reintroduced separate legislation — the Remote Transactions Parity Act (H.R. 2193) and the Marketplace Fairness Act (S. 976) — that closes the loophole permitting online merchants to avoid charging sales tax for internet purchases if they do not have a nexus in the state.

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Both bills take different approaches to ending unfair competition caused by this loophole, which puts brick-and-mortar retailers at a price disadvantage to remote sellers.

All brick-and-mortar retailers are encouraged to contact their federal legislators to urge passage of both S. 976 and H.R. 2193.

Trump's U.S. Looks Past Energy Independence to Global Dominance

The U.S. is in the position to be energy-dominant, not just independent, thanks to fracking and plans to loosen drilling regulations, Interior Secretary Ryan Zinke said.

Oil production across the U.S. may increase by 17 percent to a record 10.24 million barrels a day by the end of next year as companies cut costs and become more efficient in drilling, especially in areas such as West Texas and North Dakota.

Domestic output hasn't surpassed 10 million barrels a day since 1970. At a time when OPEC and other producers are cutting output, U.S. exports surged above 1 million barrels a day for the first time.

"In 1983, I was told we're going be out of oil and fossil fuels definitively in 2003. That's not true," Zinke said at the Offshore Technology Conference in Houston. "And, you know, I always say God's got a sense of humor -- he gave us fracking. And fracking is a game-changer -- certainly a global game-changer."

Zinke is pushing forward President Donald Trump's plans to expand oil and natural gas drilling and reconsider regulations that might limit development of U.S. natural resources.

Trump ordered Zinke to revise a five-year schedule for auctioning offshore drilling rights with the aim of potentially including territory left out by former President Barack Obama.

"My task is to look at it look at where we're going to make changes, recommendations across the board," Zinke said.

"The stars have lined up so we can create energy jobs."

Zinke signed two orders, one designating the creation of a counselor position to the Secretary for Energy Policy within the department, and the other directing the Bureau of Ocean Energy Management to develop a new five-year plan for offshore exploration that reconsiders the regulations that currently govern those activities.



The latter order will direct immediate development of outer-continental shelf leasing programs that open the door for drilling offshore Alaska, the East Coast and the Gulf of Mexico.

He's also looking at reorganizing the Interior Department, where, he says, in five years 40 percent of the employees will be retirement age.

"Right now we're really senior, almost like an ice cream cone," Zinke said. "This is a 100-year organization. About 100 years ago Teddy Roosevelt formed the park service. And what we're trying to do is look at 100 years hence."



Senate Backs Broad Spending Bill with Tougher Fiscal Fight Ahead

The U.S. Senate did its part to avert a government shutdown by sending President Donald Trump a \$1.17 trillion spending bill that shuns his priorities, including a wall at the U.S.-Mexico border, a reflection of the might of minority Democrats.

The 79-18 vote funds the government through the end of the fiscal year on Sept. 30. It provides a boost for defense while ignoring the White House's proposed \$18 billion cuts in spending for the environment, health care and other domestic programs.

"I believe we were elected in November to govern, not to somehow engage in a shutdown narrative," Senator John Cornyn, the No. 2 Republican leader, said on the Senate floor Thursday. He heralded added monies for defense and border security, as well as smaller victories such as new disaster relief funding to help those hurt by flooding in his home state of Texas.

Trump is expected to sign the bill, even though the White House was largely cut out of bipartisan talks over the legislation. The action clears the way for a more grueling debate over government funding for next fiscal year, which begins Oct. 1. The administration is proposing \$54 billion in domestic cuts and a \$54 billion boost for the military in fiscal 2018. He faces bipartisan opposition to many portions of his request.

This fiscal year's spending bill was passed Wednesday by the House on a relatively bipartisan 309-118 vote, although that cooperation may be temporary.

Democrats in both chambers claimed victory because they warded off budget cuts and extraneous policy "riders" they opposed.

"At the end of the day, this is an agreement that reflects our basic principles and is something both Democrats and Republicans should support," Senate Minority Leader Chuck Schumer said Thursday on the Senate floor. "The bill shows how bipartisanship should work."

White House budget director Mick Mulvaney accused Democrats of "spiking the football" and said the bill's \$21 billion in added defense spending -- which includes \$6 billion signed into law last year under the Obama administration -- was a win for Republicans. Senate Majority Leader Mitch McConnell agreed and asserted that it also makes a dent in Democratic demands that defense spending increases be matched by boosts in non-defense programs.

"President Trump and the Republicans in Congress made rebuilding our military a priority, and this funding bill acts on it," McConnell said.

The spending bill underscores the constraints on Republicans, even though they control the White House and both chambers of Congress. With just 52 Republican senators and a fractured GOP majority in the House, most legislation still needs some Democratic support to clear. A number of House Republicans routinely oppose big spending bills.

Democrats said they succeeded in eliminating 160 policy provisions they opposed, secured health benefits for retired miners and helped Puerto Rico fund its Medicaid program. Instead of placing stricter limits on legal immigration, the spending bill extends an investor visa program, expands a

Continued on page 7

Senate Backs Broad Spending Bill with Tougher Fiscal Fight Ahead

Continued from page 6

low-skilled workers' visa program and would allow thousands of more Afghan refugees.

The measure would make only a small spending cut for the Environmental Protection Agency, which Trump wanted to slice, while the National Institutes of Health, also on Trump's chopping block, would receive a \$2 billion boost. The Securities and Exchange Commission will be funded at \$1.6 billion and the Commodity Futures Trading Commission at \$250 million, the same amounts as in 2016.

The bill, H.R. 244, has an additional \$1.5 billion for border security, including 5,000 more immigration detention beds. The money can't be spent on a border wall.

With this fiscal year's funding resolved, confrontations over the fiscal 2018 budget loom. Democrats are united against many of Trump's proposed cuts, and Republicans, including Senator John McCain of Arizona and Representative Hal Rogers of Kentucky, predict final agreements on program spending will look far different than the president's vision.

Gridlock could lead to a showdown in September, when Trump said he believes the U.S. may need a "good" shutdown to achieve the budget cuts and border wall funding he is seeking.

"There's a real danger of the whole process breaking down" said Representative David Price of North Carolina, the top Democrat on the House Appropriations subcommittee overseeing transportation spending.

"What really matters is whether the budget resolution is a Mick Mulvaney-type docu-

ment or not," he said referring to Trump's budget director, who backs deep cuts.

House and Senate Republican leaders made clear this week they have no appetite for a government closure. Instead, there is some prospect for a stopgap spending bill that keeps the provisions of today's omnibus spending measure for months or even the full fiscal year.

House Speaker Paul Ryan said this week that he wants to follow the proper procedure of passing 12 individual spending bills for fiscal 2018, but there's little chance that happens.

Congress is rapidly running out of time, having missed the April 15 deadline for agreeing to a budget plan for next fiscal year. Appropriators need an overall spending number, which would be contained in such a fiscal blueprint, to begin working on the next round of spending bills.

A chance to push through an annual budget plan is now slated to come in June at the earliest, leaving just a month of work before Congress's annual August recess. Leaders plan to focus on a giant overhaul of the tax code during the month of July already.



Trump to Expand Offshore Drilling, Review Post-Spill Rules

President Donald Trump moved to expand offshore oil drilling and to reconsider rules that safeguard the activity -- including mandates designed to prevent a repeat of the Deepwater Horizon disaster.

Trump ordered Interior Secretary Ryan Zinke to revise a five-year schedule for auctioning offshore drilling rights with the aim of potentially including territory left out by former President Barack Obama. Trump's executive order also seeks to reverse a potentially more enduring decision by Obama to indefinitely withdraw most U.S. Arctic waters and some Atlantic Ocean areas from leasing.

"Our country is blessed with great natural resources" but too many have been closed to exploration, Trump said, during a signing ceremony in the White House Roosevelt Room.

He was joined by Republican lawmakers from oil-producing states, including Senator Lisa Murkowski of Alaska and Representative Steve Scalise of Louisiana.

Trump said his executive order starts the process of opening new offshore waters to "responsible" oil and gas development, adding: "It's going to lead to a lot of great wealth for our country and a lot of great jobs."

The executive order also instructs Zinke to review a raft of protections governing offshore drilling, including a measure designed to address shortcomings revealed by the 2010 Deepwater Horizon disaster, triggered when a BP Plc well blew out in the Gulf of Mexico. The resulting explosion killed 11 workers and spewed millions of barrels of crude.

That rule review could take years to unfold, even if it results in only modest changes to the regulation of offshore wells. In a White House briefing Thursday, Zinke told reporters it would also take "a couple years" before the government could auction off new drilling rights in Pacific, Atlantic or

Arctic waters. Even then, it's not clear whether oil and natural gas companies would line up to buy them.

Important Signal

But energy analysts say Trump's directive sends an important signal to oil and gas companies that U.S. waters are open for business. The offshore effort follows Trump's previous moves to reverse a raft of Obama-era regulations limiting the extraction, transportation and use of fossil fuels.

"It shows the industry the administration is listening," said David Pursell, a managing director at investment bank Tudor Pickering Holt & Co. "The industry ought to feel pretty good given what Trump is doing inside the EPA and with these rules."



The well-control rule, estimated to cost the industry \$890 million over a decade, requires oil companies to keep a close watch on distant, deep-water drilling operations and conduct more frequent inspections of emergency equipment.

Industry lobbyists have focused their complaints

on provisions requiring special permission to drill through potentially more treacherous terrain -- after already investing in the territory. Without confidence of getting those approvals, companies may be reluctant to invest in offshore projects where that issue could arise, said Erik Milito, a policy director for the American Petroleum Institute.

Prevents Mishaps

Environmentalists say the 2016 rule -- imposed after six years of analysis -- is already working to prevent mishaps offshore.

It's "reducing dangerous offshore events like the Deepwater Horizon tragedy in the Gulf of Mexico," said Lois Epstein, an engineer and Arctic program director with the Wilder-

Trump to Expand Offshore Drilling, Review Post-Spill Rules

Continued from page 8

ness Society. "It only will help unsafe offshore operators if these important protections are changed."

Zinke said essential safeguards would not be eroded as part of the broad assessment set to cover regulations "from bow to stern."

"We will find ways to look at our regulatory requirements that strengthen our safety and environmental policies," Zinke told reporters. "America leads the world in environmental and safety protections, and I assure you we will continue that mission."

Legal Obstacles

The order prohibits the expansion of marine monuments and seeks to streamline government permitting of the seismic research that energy companies use to hunt out possible oil and gas reserves offshore. Geological contractors have been seeking permits to conduct seismic studies off the U.S. East Coast, updating research last conducted there decades ago.

The Trump administration could face major legal obstacles in trying to swiftly sell drilling rights in areas Obama put off limits, much less reversing Obama's order that indefinitely ruled out the activity in broad swaths of the Arctic and Atlantic.

Both would be tough to accomplish, said former offshore regulator Tommy Beaudreau and Jason Bordoff, a former special assistant to Obama. In a paper issued by Columbia University's Center on Global Energy Policy, they note that the Trump administration can only make broad changes to the five-year leasing plan if it subjects them to extensive environmental scrutiny and public comment. And environmentalists argue it would be unprecedented for any president to rescind a predecessor's permanent leasing withdrawal -- a move they vow to fight in court.

The order does not explicitly compel additional oil and gas lease sales in any specific area, nor will the Trump administration abandon planned auctions of tracts in the Gulf of Mexico and in Alaska's Cook Inlet. And Zinke said he would ensure local communities have a voice in the process.

Local Communities

Zinke said he would recommend including lease sales for "areas that are acceptable, that have the resources," and where both industry and local communities support drilling.

Oil companies awash in crude from onshore drilling into dense shale formations in Texas, New Mexico and North Dakota may have little appetite for leases in the Atlantic or the Arctic. Those onshore wells generally don't yield crude for as long as their offshore counterparts, but they also cost much less. In the Arctic, Atlantic and the Pacific Ocean, development costs are high -- as are the risks of drilling a "dry hole."

"Even as President Trump opens up drilling almost everywhere, risk-averse companies are looking at the low-hanging fruit," said Phil Flynn, a senior market analyst with the Price Futures Group. "It's a lot cheaper to ramp up shale production and turn a quick profit without any vision about long-term sustainable off shore projects."

Local governments, politicians and activists who banded together to fight off Obama's initial plans to sell drilling rights in the mid- and south-Atlantic are vowing to do battle again.

"Pushing to open the Atlantic to offshore drilling is a slap in the face to towns and cities up and down the coast that have already made clear that they do not want this for their communities," said Sierra Weaver, a senior attorney with the Southern Environmental Law Center. "Offshore drilling threatens our beautiful beaches and pristine waters and jeopardizes the backbone of our economy -- the southeast's billion-dollar tourism and recreation industry."



Ohio Lawmakers Add Budget Provision that Could Open State Parks to Fracking

Ohio legislators took a step toward allowing fracking in state parks, adding a provision in a pending budget that would strip the governor of the ability to control the issuing of licenses for the oil and gas drilling practice that has raised environmental concerns.

The provision, added by the Republican-controlled House, would allow the state legislature instead of the governor to control appointments to the Oil and Gas Commission responsible for issuing drilling licenses for state lands.

Governor John Kasich, a Republican, has not named any members to the four-member commission since signing the bill that created the group in 2011. This has effectively halted any fracking in parks.

Fracking opponents complained that the legislature was now trying to find a way to allow fracking without the proper safeguards to ensure public safety.

“It is an end run by Republicans in the legislature to facilitate more fracking and drilling in Ohio state parks,” David Leland, a Democratic state representative from Columbus who voted against the budget partly due to the measure, said on Wednesday.

Fracking, short for hydraulic fracturing, involves injecting water, sand and chemicals into wells to fracture shale and re-

lease natural gas and oil. Critics say the practice has polluted water supplies, while backers say it supplies needed energy resources.

Proponents of the provision said it would not necessarily result in widespread drilling and fracking in state parks.

“The provision is simply an attempt to fill that committee,” Ben Miller, spokesman for the Ohio House Republicans, said on Wednesday.

Separately, four conservation groups have sued the U.S. Forest Service and Bureau of Land Management in an attempt to halt fracking plans in Ohio's only national forest.

Nearly a fifth of Ohio has geographical potential for shale gas drilling, said Nathan Johnson, public director of the Ohio Environmental Council, an environmental group.

The proposed budget must be approved by the Republican-controlled state senate by July 1.



API pushes for Offshore Drilling in the Eastern Gulf of Mexico



The nation's top oil group wants the Trump administration to allow offshore drilling in the eastern Gulf of Mexico.

Bolstered by last week's offshore drilling order from President Trump, the American Petroleum Institute (API) said it wants regulators to consider allowing drilling in new tracts of the oil-rich Gulf of Mexico.

"The eastern Gulf is in close proximity to existing production and infrastructure, and opening it would spur investment and economic activity that could create thousands of jobs and provide billions of dollars in government revenue," Erik Milito, API's upstream and industry operations group director, said during a conference call with reporters.

Federal law prohibits oil drilling in the Gulf within 125 miles of the coast of Florida. That moratorium is due to expire in 2022, the same year the federal government is scheduled to finalize a new five-year drilling plan, though Milito said he expects Trump's Interior Department to release a new drilling blueprint before then.

Trump's signed order, instructs the Interior Department to reconsider the offshore drilling restrictions the Obama administration put in place on Arctic and Atlantic drilling.

It does not explicitly list the eastern Gulf of Mexico as an area where regulators should consider allowing drilling, but Milito said API hopes the administration will consider the region in its review.

"We're optimistic — we think that it would be essential, from an energy security standpoint, both for national security reasons and for the continuing demand for oil and gas that we're going to see for a long time, for Interior to take a serious look at the eastern Gulf of Mexico," he said.

Industry groups estimate that offshore drilling in the eastern Gulf could produce up to 1 million barrels of oil a day by 2035. But Congress formally banned drilling near the Florida coast in 2006, and some Democrats have pushed to extend the ban further.

"Drilling near Florida's coast poses a direct threat to Florida's environment and multi-billion-dollar, tourism-driven economy," Sen. Bill Nelson (D-Fla.), one of the Senate's most ardent opponents of eastern Gulf drilling, said in a statement last week.

"Ever since I was a young congressman, I've been fighting to keep oil rigs away from Florida's coast, and I'm not going to stop now."

U.S. House Looks to Expedite Pipeline Permitting

Republicans in the US House of Representatives are dusting off energy bills that died last year as they make a fresh attempt to expedite a permitting process for natural gas and oil pipelines they say takes too long.

The bills under consideration include similar language included in legislation the House passed last year but that never became law. President Donald Trump has pushed to accelerate pipeline approvals, but Republicans view their bills as a more permanent fix to what they consider to be a flawed permitting process and avoid the types of issues that delayed the 830,000 b/d Keystone XL pipeline.

"I think we are going to do a pipeline permitting reform bill," House Energy and Commerce Committee vice chairman Joe Barton (R-Texas) said today at a congressional hearing. Barton said the bill could move forward this year or next year and would include new permitting deadlines.

One of the bills discussed today would give the US Federal Energy Regulatory Commission (FERC) more power to set deadlines among federal and state agencies that permit natural gas pipelines. Failing to hit such a deadline would require the agency to notify the US Congress. The bill would also require FERC to consider data from aerial surveys when permitting pipelines, potentially avoiding the need to obtain permission from landowners for in-person surveys.

The other bill would place FERC in charge of permitting cross-border oil pipelines, eliminating an existing presidential review process overseen by the US State Department. The bill would set a 120-day deadline for FERC to approve an oil pipeline border crossing after environmental reviews are complete, unless it found the border-crossing was not in the "public interest." This review would replace a more rigorous "national interest" test that now applies.

Democrats said the natural gas pipeline bill was unnecessary and warned the cross-border bill would set up a rubber stamp to controversial cross-border pipelines. They said that the president should continue permitting cross-border oil pipelines like Keystone XL and warned that redirecting the authority to FERC would restrict any reviews to the physical border-crossing itself, rather than the whole project.

"Do my colleagues on the other side of the aisle not have confidence in President Trump to make swift and rational decisions on major energy projects?" House Energy and

Commerce Committee ranking member Frank Pallone (D-New Jersey) said at the hearing.

Industry groups say the bills would be helpful but are urging lawmakers to go even further. Pipeline companies have been increasingly concerned about actions by states to block pipelines by denying needed water permits.

Interstate Natural Gas Association of America's president Don Santa said lawmakers should "be bold" as they consider the first major changes to pipeline permitting since 2005. The natural gas pipeline trade group wants lawmakers to hold agencies accountable for missing deadlines and modify the Clean Water Act to prevent states from using water permits to block pipelines.

Oil pipeline trade group the Association of Oil Pipelines president Andy Black urged lawmakers to limit cross-border pipeline reviews to the physical border crossing and establish a "presumption of approval" for those projects, rather than requiring regulators to find the project would be in the national interest.

But loading up a pipeline permitting bill with all the provisions industry wants would likely doom it in the US Senate, where legislation needs at least eight votes from Democrats to avoid the threat of a filibuster. US Senate Energy and Natural Resources Committee chairman Lisa Murkowski (R-Alaska) today said she wanted to revive a wide-ranging energy bill she backed last year, which had the FERC gas pipeline language but omitted the cross-border oil pipeline changes.

"We think we can build on that effort, that framework," she said.



U.S. Shale Oil Alone Cannot Meet the World's Growing Demand for Crude, Chevron CEO warns

Chevron CEO John Watson on Monday warned that U.S. shale oil alone cannot meet the world's growing appetite for crude.



Global oil demand is growing by more than a million barrels per day each year. American producers are meeting much of that consumption growth after a revolution in drilling technology that has allowed them to unlock oil and gas from shale rock formations.

"Shale can help. Certainly between now and the end of the decade it will be a big contributor to meeting that million-barrels-of-oil-demand growth that's out there," Watson told CNBC's "Power Lunch" on the sidelines of the Milken Global Conference in Los Angeles.

"But ultimately oil fields decline, and we're going to need all sources of supply, including the shales, but also deepwater and other sources around the world," he said.

Investment in oil exploration and development — especially expensive projects like offshore drilling — has plummeted as oil companies slash spending plans amid a prolonged crude price slump. That could cause the market to become undersupplied in the future, the International Energy Agency warns.

Meanwhile, U.S. shale oil production has rebounded as crude prices stabilize around \$50 a barrel, supported by output cuts by OPEC and other exporting nations aimed at cutting brimming global stockpiles. The recovery has also been underwritten by falling service costs and efficiency gains in the U.S. shale oil patch.

That has led to a land rush in the low-cost Permian Basin in parts of Texas and New Mexico, where Chevron is a major player.

Watson said President Donald Trump's rollback of energy-sector regulations could kick-start the economy by removing rules and guidance that "were heaping costs on our industry with no discernible benefit," he said.

In his first 100 days, Trump has set in motion reviews that would, among other things, remove limits on offshore drilling, rewrite President Barack Obama's signature plan to reduce carbon emissions from power plants and potentially ease tough fuel efficiency standards.

Many environmentalists and Democrats counter that Obama-era measures were critical to reducing America's contribution to climate change. Canceling them significantly handicaps U.S. attempts to mitigate the effects of global warming, they say.



Pipeline Companies Push Back Against Trump's 'Buy American' Rule

A directive requiring U.S. pipeline companies to use American steel and iron in their projects is testing President Donald Trump's ability to keep his promises to two industries on opposing sides of the issue.

In comments to the U.S. Department of Commerce, which is crafting the so-called "Buy American" plan, pipeline companies and their trade groups argued the change would increase costs and disrupt operations. Steel companies, meanwhile, embraced the policy as an opportunity to take advantage of the country's surging oil and gas production. And Trump has vowed to support both.

The debate goes to how the president will be able to reconcile the conflicting edges of his America-first platform. During his campaign, Trump promised to break energy loose from the leash of regulation and protect steel from the bite of unfair competition. Market forces, though, may force him to make a choice, according to Stefanie Miller, a senior analyst at Height LLC.

"I don't think those conflicts are insignificant," Miller said in a telephone interview. "You cannot have 'Buy American' and the most cost-effective pipeline, in the current scenario."

In a Jan. 24 memorandum, the president gave the Commerce Department 180 days to develop a plan for requiring retrofitted, repaired or expanded pipelines to use U.S.-produced materials "to the maximum extent possible." The decision has prompted almost 100 letters to the Commerce Department during a comment period that ended April 7, split about evenly between endorsement and opposition. Hurting Energy

The pipeline industry is pushing back, saying the rule could delay or reduce new projects, a possibility that "would run counter to the Trump administration's goal of expanding U.S. energy production and infrastructure," according to a joint letter submitted to the Commerce Department by groups including the Association of Oil Pipe Lines and the American Petroleum Institute.

Though steelmakers tout the potential for increased demand, energy companies argue domestic manufacturers aren't equipped to make all the materials required by their projects.

"Does the domestic industry have the ability to quickly come in and replicate that capability? The answer is: not easily, or not quickly," said John Mothersole, an analyst at IHS in Washington.

Pipeline Companies Push Back Against Trump's 'Buy American' Rule

Continued from page 14

There also is a substantial amount of pipe that's already been purchased for projects. The Williams Companies Inc., for example, has more than a million feet of pipe in storage for its Atlantic Sunrise project, and almost half a million feet for its Constitution line.

That more domestic steel isn't used in projects may be a reflection of the circumstances, said Christine Tezak, managing director of research at ClearView Energy Partners LLC in Washington.

"If the capacity isn't here, it won't materialize overnight," she said. A final decision could be "something less than what appears to be an inflexible target."

Compromise Likely

The end result will likely be a compromise that implements the new rules gradually, Miller said. Pipeline companies' request to exempt projects with shipper commitments or pending permits is a reasonable one, she said. It's unlikely companies "will have the rug pulled out from under them."

The ultimate outcome is more likely to favor the steel industry, said William Reinsch, a fellow at the Stimson Center. While Trump can, and has, helped the oil and gas industry on a range of issues



from drilling leases to permitting, the steel industry will mainly rely on the U.S.-made order and trade protections for relief, he said.

"If he aligns himself with the pipeline people, he's more likely to get major pushback from the steel guys," Reinsch said. "The oil companies owe him a lot. And they'll live to fight another day."

The administration has already made protectionist moves, exploring whether steel imports hinder national security under the Trade Expansion Act -- and asking the Commerce Department to investigate claims that rival Chinese manufacturers colluded to fix prices and undercut American competitors.

The industry debate and need for public input could delay a final rule for years, said Caitlin Webber, a Bloomberg Intelligence analyst, in a report. And any final rule will probably include exceptions, such as exempting imports for free-trade agreement partners.

The end result will be a more limited rule than initially promised.

"They'll find a way to massage this so he can say he's doing something for everybody," Miller said.

Williams Turns to Trump for Help Approving Delayed Gas Line

A year after New York rejected a key certificate for the \$925 million Constitution natural gas pipeline, developer Williams Cos. is appealing to a higher authority: the White House.

Williams and labor unions are pressing President Donald Trump's administration for a U.S. Army Corps of Engineers permit after the state refused to certify the project, Alan Armstrong, the Tulsa, Oklahoma-based company's chief executive officer, said Wednesday in an interview at Bloomberg headquarters in New York. The pipeline would link supplies from the Marcellus shale basin, America's biggest by volume, to markets in the Northeast.

Constitution's approval would be a major win for Williams, which wants to reassure investors of its growth prospects after a failed \$33 billion takeover attempt by Energy Transfer Equity LP and an aborted proxy fight with activist shareholder Corvex Management LP. Williams is doubling down on the Marcellus shale basin, where supplies have outpaced new pipeline capacity, as the company seeks to boost profits.

The Constitution delays "have not been a regulatory issue," Armstrong said. "The issue has been purely political. That's exactly when, for interstate commerce, the federal government should use their authority." He declined to identify any Trump administration officials who are involved in the talks.

The White House declined to comment. Trump was instrumental in clearing the way for Energy Transfer Partners LP's controversial Dakota Access oil pipeline to be finished. In March, TransCanada Corp.'s Keystone XL crude pipeline gained U.S. approval after Trump invited the pipeline builder to reapply for a presidential permit.

For more on how Trump helped Energy Transfer finish the controversial Dakota Access oil pipeline, read this story.

Although New York has not issued a water-quality certificate for the Constitution pipeline, the Army Corps can issue its own permit if the state doesn't act within a "reasonable" time period, Armstrong said. Williams also supports a broader Trump administration effort to reduce the "regulatory morass" facing pipeline development, he said.

Williams, which controls pipeline owner Williams Partners LP through ownership of the general partner, is holding an analyst meeting Thursday in New York. Williams rose 2.3 percent to close at \$30.76 in New York on Wednesday. Williams Partners climbed 1.2 percent to \$41.46.

Cabot Oil & Gas Corp., one of Williams's partners on the Constitution pipeline, jumped 4.5 percent to \$24.88.

Letter to the Editor



AMERICAN PETROLEUM INSTITUTE

Dear SSDA-AT,

President Trump's executive order to expand offshore energy development is a win for job creation and national security. The United States leads the world in production and refining of oil and natural gas, adding stability to world markets that's paying off for families and businesses. Drivers saved over \$550 at the pump in 2015, while household budgets saved \$1337 on utility bills and energy-related expenses.

The industry supports 9.8 million jobs nationwide across a variety of sectors, including manufacturing, which is experiencing an energy-driven renaissance. Producers of steel, chemicals, plastics, medicines, and numerous other products have seen their power and materials costs drop due to affordable energy, including industrial electricity costs 30-50 percent lower than those of foreign competitors.

Lifting some of the shortsighted restrictions that have kept 94 percent of federal offshore acreage off limits to energy development could lead to production gains of more than a million barrels of oil equivalent per day and generate hundreds of thousands of well-paying jobs. Opening the Eastern Gulf of Mexico, in close proximity to existing production and infrastructure, can quickly spur investment and economic activity, with the potential to generate thousands of jobs and billions of dollars in government revenue.

The benefits of unlocking offshore oil and natural gas are measured not just in jobs and revenue but in energy security. Every barrel of American-made energy means more protection from the price shocks that overseas turbulence can generate. Nowhere is energy's central role in national security more evident than in the Arctic. With Russia and China already active in the region, military experts have warned that withdrawal from the Arctic would "signal retreat, needlessly reducing U.S. flexibility for promoting our national interests and our ability to ensure international cooperation."

Eighty percent of U.S. voters support increased domestic oil and natural gas production, and projections show that's what we need in order to meet domestic and global demand. Our success leading the world in reduction of carbon emissions – which have reached 30-year lows in the power sector due primarily to clean-burning natural gas – demonstrates that energy security and environmental progress aren't contradictory goals.

So long as the vast majority of offshore areas remain off limits, the United States will never realize the full potential of our energy resources. Unlocking offshore oil and natural gas resources is an essential step to U.S. economic and energy security.

Sincerely,

A handwritten signature in black ink that reads "Jack".

Jack Gerard
President and CEO
API



Shale Drillers Are Outspending the World With \$84 Billion Spree

U.S. shale explorers are boosting drilling budgets 10 times faster than the rest of the world to harvest fields that register fat profits even with the recent drop in oil prices.

Flush with cash from a short-lived OPEC-led crude rally, North American drillers plan to lift their 2017 outlays by 32 percent to \$84 billion, compared with just 3 percent for international projects, according to analysts at Barclays Plc.

Much of the increase in spending is flowing into the Permian Basin, a sprawling, mile-thick accumulation of crude beneath Texas and New Mexico, where producers have been reaping double-digit returns even with oil commanding less than half what it did in 2014.

That's bad news for OPEC and its partners in a global campaign to crimp supplies and elevate prices. Wood Mackenzie Ltd. estimates that new spending will add 800,000 barrels of North American crude this year, equivalent to 44 percent of the reductions announced by the Saudi- and Russia-led group.

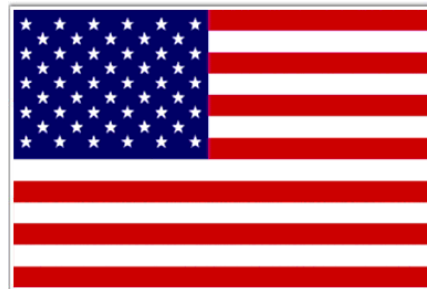
RPM Act Update

Great news! Support for the RPM Act continues to build, as we have significant progress in adding cosponsors in both houses. U.S. Senator Tammy Baldwin (D-WI) signed on as a RPM Act cosponsor. The Senate bill (S. 203) has 29 cosponsors (7 Democrats) and we are now just one Democrat short of a filibuster-proof majority. On the House side, H.R. 350 has 118 cosponsors (12 Democrats).

SSDA-AT is urging the House Energy and Commerce Committee (E&C) and Senate Environment and Public Works Committee (EPW) to schedule action on the bill. We have had good staff meetings with the bill sponsors and E&C and EPW staff, with indications that the legislation is well-positioned for consideration once it can be scheduled.

We look forward to building on the RPM Act's progress and ask for your assistance in pursuing the following Senate Democrat primary targets:

- Sen. Heidi Heitkamp (ND)
- Sen. John Warner (VA)
- Sen. Tim Kaine (VA)
- Sen. Debbie Stabenow (MI)
- Sen. Bob Casey (PA)





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