

Energy Producing States Coalition Point Clear, AL Meeting May 19, 2013

State Energy Legislation

Wyoming (Can we say what these bills are?)

- HB 116
- HB 40
- HB 228
- Senate File 7

Utah

- SB 275 – soft cap of \$5 million – Public Services Commissioner has the ability to adjust/go higher if necessary
 - Public Lands – Forest Service – extorting people working on federal lands/water rights; grazing permit – must transfer water rights to USFS
- HJR 14 - Joint Resolution on Water Rights – Colorado experiencing similar issues with ski areas
- HB 66 – Water Rights Amendments
- Law enforcement – BLM, USFS – act law enforcement authority
 - HB 155 – modifies code
 - RS 2477 – 88 miles prevailed in federal district courts
- Joint Resolution on State and Politics Subdivisions
 - HJR 15
 - HB 164 – passed – jurisdictional authority of municipal authority
 - HB 131 – Federalism Defense Act – will have a funded federalism committee

Alaska

- Legislature had three goals for the session and the first two dealt with energy
 - Get more oil through the Trans-Alaska pipeline
 - SB 21 – changes the tax structure, led to increased activity, Chevron and Conoco Philips; tax structure stimulates economic development; citizens referendum to repeal the law
 - HB 4 – moved \$300 million for in state pipeline; allow trucking from North Slope to Fairbanks – 40 trucks per day – 20 North and 20 South on gravel road to a gas storage facility in Fairbanks
 - Permits
 - SB 27 – take over 404 primacy, regulation of clean water
 - HB 129 – permitting for oil and gas
 - Arctic Council – Alaska (US is one of 8 participating countries); Sweden had the Chairmanship, now Canada's turn, US in two years. Passed legislation and funding – Arctic Alaska Policy Commission
 - Injunction tax – boning for NGO's in case of frivolous lawsuit
 - National Ocean Policy Resolution - Administration grab on zoning around the US; Alaska would be our own zone, National Ocean Policy affects inland tributaries – basically every state could be impacted
 - Legacy Well issue – Federal government clean up their wells

- Reclamation of old sites – Administration takes a 50/50 split between state and government – take away from the states – coal sites
- Encourage ANWR – Government in DC \$30 - \$100 million; area 102 – seismic, package of realistic path

Texas

- Big issue – sunset review of agencies are adequately funded and staffed
 - Texas Railroad Commission – appropriately named? And appropriate jurisdiction – legislative deed
- Special Session called
- Roads funding – wear/tear of roads, changes in truck traffic, CEA Trucking Safety Task Force
- Eminent Domain – pipeline right of way
- Primacy – EPA took over air permitting, green house gas emissions

Louisiana

- Taxes -\$500 million budget hole
 - Governor's proposal died

Mississippi

- Nine pieces of energy related legislation
 - Production – energy liquids play
 - Encourage more production – provide severance tax holiday from 6% to 1.3% for 30 months
 - Lot of production
 - CO2 pipeline network
 - Use – exempted state sales tax on energy used in manufacturing

Industry Update

ExxonMobil

- South Alabama:
 - 25th anniversary of production in state waters – Mobile Bay
 - \$3 billion investment in offshore production
 - Alabama Trust Fund - \$2 billion in last ten years in state royalties from producers such as EM; interest from ATF goes into the state general fund, Partnership for Progress
 - Operate in environmentally sensitive areas – tourism is important to the state
 - Marine Well Containment Company – hopefully will never need to be used; was recently successfully tested in Gulf during a full scale drill
- Access issue – important synergies
 - VA, NC, SC – promoting opening up coast to offshore development, added in Five Year Plan
 - States are the incubators for the ideas – place where things are happening with respect to access and development. Example of where states can urge federal action: US Sens. Murkowski/Landrieu “FAIR Act” – promote responsible development of resources
 - Natural gas development – the shale revolution – has been responsible for \$60 billion in announced petrochemical capital investment projects in Louisiana
 - Long-term jobs for our kids and grandkids

- Governors in OCS – cognizant of the symbolic importance of resolutions – frame it as a larger access issue, encourage as much as you can
- Nova Scotia – lease sale offshore
- Local ordinances focused on anti-development & ballot initiatives – eNGO’s strategy per hydraulic fracturing
 - Governors have some authority per offshore development– Coastal Zone Plan
- Per question on Ocean Spatial Planning – are other southern states going into that process?
 - OCS – does not appear much appetite in the Gulf states

Shell

- States do it right
- Level of frustration on what’s going on today
- Groups like this, EPSC, are important in finding common grounds, sharing ideas and themes – important to move the ball forward
- Hydraulic Fracturing – very important
- Water and Air issues
- Endangered Species Act
- Local bans – how do you manage and go forward with it
 - Things that were not issues yesterday – are today based upon opposition groups
 - Oil and gas win on science – what’s working and what isn’t
 - Boulder, CO – public meeting/town hall – tactics have changed
 - Industry wants to have a voice
 - Our issues are your issues
- Q &As
 - Alaska offshore – opposition instills fear – communities realize jobs play a larger role
 - Had issues moving forward – certain level of frustration – why can’t we move forward?
 - Do it right for the environment and reap the rewards of economic development
 - Microcosm of what federal issues are and what the process is
 - 27 different permits from 6-7 agencies, not much coordination amongst federal government agencies
 - Industry wins on science, opposition wins on emotion, as legislators, don’t have the money for media campaigns to counteropposition. How do states reach them?
 - I think having public forums is important – can’t do this too much, look towards organizations like CEA, show Haynesville and have a discussion following. Hopefully, see more public dialogues and discussions moving forward – “fear sells”
 - ExxonMobil – Shell’s “Rational Middle” link to YouTube, talks about the hard issues that are out there, help understand where the facts are
 - How many assets that are federal mineral leases
 - In Marcellus, Mississippi Shale, Permian, Eagle Ford, Northern Louisiana
 - Exposure in federal lands is somewhat limited
 - Do you avoid federal leases for any particular reason?
 - Don’t avoid them
 - ExxonMobil – also have XTO so we have a presence in Wyoming, California, Alabama

- Largest natural gas producer in the country (XTO)
- There have been public meetings in Alabama, Texas where only 3 or 4 individuals from industry testify, with many more from opposition groups. Seldom see reps from industry, we'd encourage employees to be involved in the process

Mississippi Energy Institute

- Organization was spun out of state chamber – let us be a resource – research
- New Governor made energy major plan – we helped write the energy plan
- Happy to engage in the media, we don't shy away from a good fight
- Energy isn't supposed to be a partisan issue, particularly in energy states
- Good things are happening at the state level – GDP issue that will prove itself out
- Get DC to be a little more coherent by showing the example in the states

Federal issues

Endangered Species Act

- Root of the problem is settlement agreements
- BLM resource management plans – moving requirements outside core areas

Ocean Policy

- Zoning plan for offshore – not just limited to federal waters
- Executive orders – states have to have regional planning bodies
- Natural ally in the fishing industry
- Inland states – tie water resources to this – similar to wilderness designation
- Every sector of the economy is impacted
- Alaska – Department of Law – person working on it
- OCS Governors should come out on this issue
- Nationaloceanpolicy.com

OCS Access

- Meeting in Houston – 6 Governor's and 2 senior staff
- Need for more access, modify five year plan
- Interest in Mid/South Atlantic – 3D Seismic to be shot
- FAIR ACT – revenue sharing, ways to improve process for offshore permitting and access
- States are lining up in support
- ExxonMobil – move to re-open 2012-2017 plan, some are just focused on 2017-2022 plan – make sure focus is on today

Seismic

- DOI authority to shoot seismic, preparing for EIS
- Organizations lining up to oppose seismic – claiming it is harmful to marine life
- ExxonMobil – stop seismic, stop E&P activity
- Alaska – Apache shooting seismic has been stopped by BLM

Tax

- Key energy components – IDC particularly damaging to oil and gas exploration, typically 25% of exploration budget

Revenue sharing

- Critical that states receive revenue from royalties, rentals and bonus bids
- Only fair through Mineral Leasing Act – issue that has legs (OCS sharing)
- Do inland Governor's get same connection as Gulf Governors?

Western Caucus

- What are the issues stopping energy production?
 - Access
 - NEPA
 - ESA
 - Ocean Policy/Permitting
 - Federal lands, state trust land – land exchange
 - Federal regulations vs. Congressional action
- Action plan of 2 to 3 things to get done
- 20th year in the House- started by former Rep. Hansen (UT) – there wasn't a coalition dealing with Western state specific issues
- Advance and push legislation
- Serve as advocates for West – what it means to be a public lands state – “West exists as a playground for the east.”
- Website – WCU
- Social media
- “Bull Report”
- State Mineral Protection Act
 - 48-52 split in revenues (2% processing fee)
 - \$110 million under sequestration
 - 2 ways to try and fix it
 - Legislation – response to repeated pattern when in a budget crisis – rob Peter to pay Paul
 - Mistake – allowed state revenues to leave the border – filter back to states
 - Make operators cut two checks – split equally 50-50 between state where development occurred and the federal government
 - Benefits:
 - Gets state their royalties earlier
 - Make it a lot harder to do what the Federal government is doing - taking case
 - Ends 2% transaction fee charged to states
 - Opt-in process
 - Letter – legal case to why DOI has misinterpreted sequestration
 - 1985 sequestration – budget gimmick – withheld payment for only the current fiscal year, sequestered money paid back at the beginning of the next fiscal year

- Interpret law the way they did in 1986
 - Legal action next year if not paid back
 - State Attorneys General of most affected states – coalition send a similar letter
- Collaboration
 - 2 suggestions
 - Establish a more formal connection between EPSC and staff of members of Western Caucus
 - Letter to staffer/member requesting participation
 - Policy – Ocean Policy could be one of the issues to focus on in the future; Lummis bill could be an immediate action
 - EPSC Federal Advisory Caucus
 - The way we talk about it – Messaging
 - Rapid response team – put out things to counter inaccurate statements about particular issues, example hydraulic fracturing
 - Community involvement
 - How do we talk about it and how do we message it?
 - Make it resonate with families – “need it for family’s future/security”
 - Suggest reviewing Western Energy Alliance polling
- Issues to focus on:
 - ESA – Giessel (AK)
 - Ocean Policy – Millett (AK)
 - Access – Handy (UT)
 - Land Exchange – Handy (UT)
 - CO2 – Greear (WY)
 - BLM Permitting – (WY)
 - Settlement Agreements – Barrus (UT)
 - Green House Gas Emissions
 - Hydraulic Fracturing
 - Sequestration
- To do:
 - Provide Pete Obermueller with a list of EPSC members and who are their Representatives
 - Select items that are of importance
 - Position papers on issues, example support hydraulic fracturing with certain caveats
 - Continued responsible use of fracking; extension of comment period
- Next Steps
 - Need to address issues of importance
 - Provide testimony
 - Conference call for the group
 - Where are we on different action items