

Energy Producing States Coalition September Newsletter

Action Items

DOI's ONRR Reverses Decision on Federal Mineral Revenues

Following intense lobbying efforts by EPSC, Western Congressional Leaders, Western State Political Leaders and Western Trade Associations, the Department of Interior's Office of Natural Resources Revenue [reversed its position related to the sequestration of federal mineral revenues](#). States were notified that they would be receiving the nearly \$110 million in withheld funds early in FY 2014. EPSC's Executive Committee released the following [statement](#) related to Interior's decision.

EPSC supports H.R. 2728

EPSC Executive Committee submitted a [letter to House leadership](#) in support of H.R. 2728, the "Protecting States Rights to Promote American Energy Security Act." The bill would eliminate the potential for duplicative regulations related to hydraulic fracturing by allowing existing state regulations to have precedence over any potential federal regulation. On July 31, the House Natural Resources Committee [voted 23-15 to approve](#) the legislation, sending it on the full House.

EPSC Comments on Proposed BLM Hydraulic Fracturing Rule

EPSC members submitted a comment letter related to the [BLM's proposed hydraulic fracturing rule](#) on August 23, 2013. The letter, signed by fourteen EPSC members, articulates that EPSC, "opposes the revised proposed rule since state regulations related to hydraulic fracturing already exist and have proven to be successful, providing strong environmental, health and safety protections as well as regulatory certainty."

EPSC releases Annual Report: EPSC's Annual Report was released and is available online at the [EPSC website](#). Please feel free to pass it on to any of your colleagues when encouraging them to join EPSC.

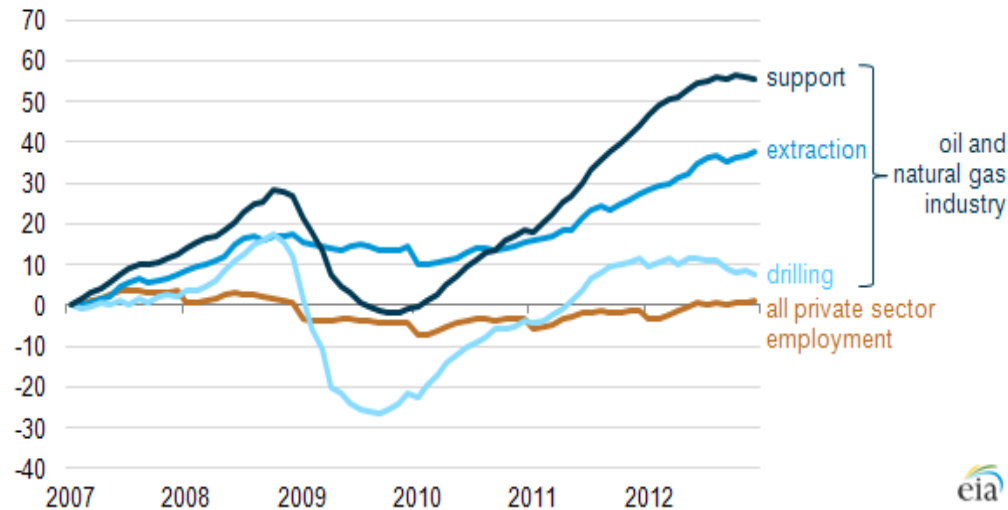
EPSC member announces campaign for Governor: Colorado Senator Greg Brophy recently announced his campaign for Governor. "This state deserves to have a principled, conservative leader who has Colorado values you can trust," Brophy said before supporters who gathered at The Wildlife Experience in Parker, CO for the kickoff to his 2014 gubernatorial campaign. He says he's getting in the race because Colorado deserves better. For more information on his campaign, visit his website www.greg-brophy.com and follow his campaign on Twitter @SenatorBrophy.

EPSC member announces campaign for Lieutenant Governor: Alaska Senator Lesil McGuire has also announced her campaign for Lieutenant Governor. For more information on her campaign, visit her website www.lesilmcguire.com and follow her on Facebook at www.facebook.com/mcguireforltgovernor.

Policy Initiatives

Oil and gas jobs have grown 40 percent since 2007

Percent change in employment, oil and natural gas industry and all private sector employment
percent change from 2007



Jobs in the oil and gas sector have grown 40 percent in the last five years, helping to counteract the tepid one percent increase in total U.S. employment. The oil and natural gas industry created more than 162,000 jobs from 2007 to 2012 in drilling, extraction and support services, according to a report by the Labor Department's Bureau of Labor Statistics released Friday. These new jobs helped build up the ranks of the more than 971,000 people working in the industry in the U.S., including about 379,800 in Texas, according to an April report by the Texas Independent Producers & Royalty Owners Association. Oil and gas jobs make up just one-half of one percent of private sector employment, but have created a host of new opportunities, especially in Texas and North Dakota, as the shale boom continues. Texas now produces more than 74 million barrels of crude a month, about a third of all US production.

EIA: July oil production reaches 21 year high: The Energy Information Administration (EIA) trimmed its estimate for domestic natural gas production in 2013, but [expects output this year to be up about 1 percent](#) from 2012's record-high levels. In its August Short-Term Energy Outlook, the EIA said it expected marketed natural gas production in 2013 to rise 0.71 billion cubic feet per day to 69.89 bcf per day, down from its July outlook of 69.96 bcf daily. If the forecast is realized, it would be the third straight year of record production. Domestic output in 2014 is expected to set another record high, up 0.57 bcf daily to 70.46 bcf per day. The EIA had previously estimated 2014 production at 70.41 bcf.

Feds approve third project to export US natural gas: The Obama administration [authorized a third company to broadly export U.S. natural gas](#), giving a planned facility in Lake Charles, La. conditional approval for those overseas sales. The Energy Department's decision means that as long as it secures other required permits, Lake Charles Exports LLC will be able to sell as much as 2 billion cubic feet of natural gas a day to Japan and other countries that are not U.S. free-trade partners for the next 20 years. The three approvals mean the Obama administration has now authorized a total of 4.6 billion cubic feet of gas per day to non-free-trade partners, coming close to a 5 billion threshold that some critics have suggested might cause prices to climb for domestic natural gas users.

States Again Ask SCOTUS to Review EPA'S Greenhouse Gas Regulatory Authority: Attorneys general for Virginia, Utah and Kentucky took one last stab Monday at getting the Supreme Court to take up a case testing EPA's regulation of greenhouse gases, including several rulemakings. "The overarching theory of the briefs in opposition is that review is not warranted because the agency was clearly correct," the AGs say in a brief filed to the high court. But EPA "merely sets up straw man arguments" and environmental and state groups followed, they say. The states and some industry groups want the high court to take another look at a case that EPA won handily at the appellate level last summer, when a three-judge panel penned an 82-page ruling handing the agency an across-the-board win on numerous regulatory issues. High-court watchers have speculated that opponents of the agency's climate change regulations could struggle to get another shot before the high court.

DOI Releases Study on Economic Impact of Department Activities: The Department of Interior announced the release of study showing that [DOI's activities contributed \\$371 billion to the U.S. economy in 2012](#), supporting 2.3 million jobs. Energy produced from Interior lands in FY 2012 -- which included 626 million barrels of crude oil, 5 trillion cubic feet of natural gas, and 460 million tons of coal -- contributed \$230 billion to the national economy and supported 1.2 million jobs. The Bureau of Land Management and other Interior agencies approved the installation of 315 megawatts of wind capacity and 489 megawatts of solar power projects on public lands during the fiscal year. In addition, Bureau of Reclamation facilities produced 47.5 terawatt hours of hydropower in 2012. These renewable energy activities contributed \$4.4 billion to the economy and supported 18,000 jobs.

Study: Delaying IDC Recovery to Result in US Production, Job Loss: Delaying the oil and gas industry's ability to quickly recover intangible drilling costs (IDC) would [lead to significant losses in oil and gas production and jobs](#), and negatively affect the economics of many key oil and gas plays, according to a recent report, [Impacts of IDC Changes](#), commissioned by the American Petroleum Institute (API). IDCs allow oil and gas companies to recover non-salvageable expenses for oil and gas drilling quickly, treating them similar to operating costs. Allowing a quick recovery of IDCs improves cash flow for oil and gas companies, allowing them to reinvest in drilling, creating more jobs, helping to grow the economy and generating more revenue for the U.S. government without raising taxes.

DOE Release Report on Energy Sector Vulnerabilities to Climate Change: The Department of Energy released a new report, "[U.S. Energy Sector Vulnerabilities to Climate Change and Extreme Weather](#)", on the vulnerabilities of critical energy and transmission infrastructure to climate change related weather incidents. The report found increased likelihood of supply distributions, need for hardening of certain assets, and potential for higher costs of power.

FERC Directs Barclays to Pay \$435 Million in Civil Penalties: The Federal Energy Regulatory Commission (FERC) issued an order [assessing \\$435 million in civil penalties](#) against Barclays Bank PLC (Barclays) for allegedly manipulating western electricity markets in and around California. In addition, Barclays was ordered to disgorge \$34.9 million, plus interest, in unjust profits to the Low Income Home Energy Assistance Programs in the states of Arizona, California, Oregon, and Washington. FERC also assessed civil penalties against several individual Barclays traders for their alleged participation in the scheme. Three traders were assessed penalties of \$1 million each, and the Managing Director of North American Power, a high-level employee alleged to be the leader of the scheme, was ordered to pay \$15 million. FERC found that Barclays had violated the Federal Power Act (FPA) and FERC's anti-manipulation rules by intentionally moving the electric energy index price at four different trading nodes in the West. According to FERC, Barclays's traders would allegedly take large physical positions in the opposite direction of their financial positions and then "flatten" those positions to influence the index price at that trading hub, which would in turn benefit their financial swap positions. The trades at issue took place between November 2006 and December 2008 over 655 product days.

Wholesale Electricity Prices Rose Across the United States: The Energy Information Administration (EIA) released a [report](#) showing that average wholesale electricity prices rose in every region of the country during the first half of 2013. Prices were the highest in the Northeast where limited natural gas infrastructure constrained supply. The Northwest saw an 82% increase in wholesale prices due to decreased hydroelectric generation because of lack of precipitation, increased reliance on gas, and increased gas prices. California experienced a 59% increase in average wholesale prices as the state dealt with the continued outage of the SONGS nuclear power plant.

Congressional Research Service Report on Unconventional Oil and Gas: The Congressional Research Service released a report on [Unconventional Oil and Gas production](#) in the United States and the current state of federal regulatory activities potentially affecting these developments moving forward.

Congress Passes Hydropower Bills: The Senate passed a pair of hydropower bills to speed deployment of small hydro facilities. H.R. 678, [the Bureau of Reclamation Small Conduit Hydropower Development and Rural Jobs Act](#), which would create new American jobs and by authorizing more production of clean, renewable hydropower and eliminating bureaucratic and regulatory hurdles. [H.R. 267](#) would ease the Federal Energy Regulatory Commission's licensing requirements for small-scale hydroelectric projects that are considered to have a low impact on the environment.

Wyden and Murkowski Seek Clarity on LNG License Revocation: Sens. Ron Wyden (D, OR) and Lisa Murkowski (R, AK) sent a [letter](#) to Energy Secretary Ernest Moniz asking under what circumstances the U.S. Department of Energy would use its authority to revoke previously approved export permits for liquefied natural gas (LNG) to non-free trade countries. The issue of potential revocation has been identified as a key financial risk for potential investors in US LNG facilities.

DOE Announces Additional Funding for Biofuels Projects: The Department of Energy announced over \$22 million in [new investments to help develop cost-competitive algae fuels](#) and streamline the biomass feedstock supply chain for advanced biofuels.

DOI Holds First Ever Offshore Wind Lease Sale: DOI's Bureau of Ocean Energy Management (BOEM) announced the successful [completion of the nation's first-ever competitive lease sale](#) for renewable energy in federal waters. The provisional winner of the lease sale, which auctioned two leases for a Wind Energy Area of 164,750 acres offshore Rhode Island and Massachusetts for wind energy development, was Deepwater Wind New England, LLC. When built, the areas could generate enough combined energy to power more than one million homes.

EPA releases 2013 biofuel blend standards: U.S. refiners must blend [16.55 billion gallons of renewable fuels with conventional gasoline](#) this year, according to the Environmental Protection Agency. The revised standards are eight months late, but the agency extended the compliance deadline by four months. The standard requires:

- Biomass-based diesel (1.28 billion gallons; 1.13 percent)
- Advanced biofuels (2.75 billion gallons; 1.62 percent)
- Cellulosic biofuels (6.00 million gallons; 0.0004 percent)

Cost of Weather Related Power Outages: The [cost of weather-related power outages is high and rising](#) as storms grow more severe and the U.S. electric grid gets older, according to an Obama Administration report that calls for increased spending on the nation's electric power system. Power outages cost the economy \$18 billion to \$33 billion per year, according to the report, a figure that has been rising steadily over the past 20 years. That can rise to \$40 billion to \$75 billion in years with severe storms such as 2008's Hurricane Ike and last year's Superstorm Sandy.

Scoping for West Coast Coal Export Terminal EIS Begins: Scoping of an environmental impact statement (EIS) for a proposed coal export terminal near the mouth of the Columbia River began last week. [Millennium Bulk Terminals](#), a joint project of Ambre Energy and Arch Coal, would be capable of shipping up to 48.5 million short tons of coal annually from the terminal at the Port of Longview, WA. The coal, which would be exported to Asia on Panamax-class ships, could come from either the Powder River Basin in Wyoming and Montana or from mines in Utah and Colorado. The environmental impact statement will be jointly overseen by the U.S. Army Corps of Engineers, the Washington Department of Ecology, and the Cowlitz County government.

USDA Announces \$21 Million in Funding For Energy Efficiency and Renewable Energy Projects: The US Department of Agriculture announced [funding for 631 projects](#) across the nation to help agricultural producers and rural small businesses reduce their energy consumption and costs, use renewable energy technologies in their operations and/or conduct feasibility studies for renewable energy projects. The grant and loan funding was made available through the U.S. Department of Agriculture's (USDA) Rural Energy for America Program (REAP).

USGS Releases Study on Water Resource Issues of Shale Development in the Appalachian Basin: In coordination with the DOE, the USGS released its report on issues associated with [water resources and unconventional oil and natural gas development in the Appalachian Basin](#). The paper finds that environmental concerns posing critical challenges include the availability and use of surface water and groundwater for hydraulic fracturing; the migration of stray gas and potential effects on overlying aquifers; the potential for flowback, formation fluids, and other wastes to contaminate surface water and groundwater; and the effects from drill pads, roads, and pipeline infrastructure on land disturbance in small watersheds and headwater streams. It notes that since its first report, a number of changes have taken place: (1) the extraction process has evolved, (2) environmental awareness related to high-volume hydraulic fracturing process has increased, (3) state regulations concerning gas well drilling have been modified, and (4) the practices used by industry to obtain, transport, recover, treat, recycle, and ultimately dispose of the spent fluids and solid waste materials have evolved.

NCSL Adopts Climate Change Resolution: At the annual meeting of the National Conference on State Legislatures, the Natural Resources and Infrastructure Committee adopted a [resolution on climate change](#). The resolution urges the federal government to consult with the states and ensure flexibility in any federal climate change standard. Of note, the resolution states that "NCSL believes that federal legislation regarding the reduction of greenhouse gases should take into the implications of actions and/or inactions on economic development, energy security, and those most vulnerable citizens." The resolution does not specifically address the President's recently released Climate Change Action Plan.

Feds Hold Offshore Wind Meeting in N. Carolina: The Bureau of Ocean Energy Management held a public presentation in Southport, NC, which included a visual demonstration of the wind farms. Some residents, including Sunset Beach's Mayor Richard Cerrato, are [concerned](#) that the turbines, if sited too close to shore, may ruin ocean views and harm tourism. Federal leases off North Carolina for wind development have not been scheduled and would likely not occur for another two years.

BOEM Holds Offshore Lease Sale: Bureau of Ocean Energy Management (BOEM) Director Tommy P. Beaudreau announced that BOEM will hold a [lease sale that will make nearly 21 million acres offshore Texas available](#) for oil and natural gas exploration and development. BOEM estimates that Western Gulf of Mexico Lease Sale 233 could lead to the production of up to 200 million barrels of oil and 938 billion cubic feet of natural gas. During tomorrow's lease sale, BOEM will open 61 bids submitted by 12 companies on 53 offshore blocks.

Recruiting

EPSC has been adding new states and members to the coalition. There are currently members representing fourteen states. Those states are: Alaska, Arizona, Colorado, Idaho, Indiana, Mississippi, Nevada, North Dakota, Ohio, Oklahoma, Texas, Utah, Wisconsin and Wyoming. The newest members are: Nevada Senator [Pete Goicoechea](#), Nevada Assemblyman [John Ellison](#) and Wyoming Representative [Lloyd Larsen](#).

As a reminder, EPSC membership is open to any state legislator or legislature that is serious about energy production and that supports the [Mission Statement](#) of the EPSC. Currently, membership is neither time consuming nor expensive. Members do not pay dues to EPSC. If you know of colleagues that might be interested in joining, all that is needed is to fill out this [form](#).

Website

If you have suggestions for the [EPSC website](#), including issues, content or event updates, please let Bo Ollison know at BOllison@consumerenergyalliance.org.