December 1, 2021

The Honorable Joe Manchin
Chairman
U.S. Senate Committee on Energy and Natural Resources
306 Hart Senate Office Building
Washington, D.C. 20515

Dear Chairman Manchin,

America's oil and gas sector provides reliable, affordable, domestic energy production for the benefit of all Americans. This is especially true for production that occurs on federal lands and waters, underpinning a huge economic benefit to the U.S. in terms of jobs, and billions of dollars to the U.S. Treasury—all while funding multiple domestic conservation programs. In response to rising prices and supply concerns, the White House has urged Russia, Saudi Arabia and the rest of OPEC+ to increase production. While we commend the Administration for recognizing the importance of investing in additional supply, these actions promote an "import more oil" strategy when we have resources available here at home.

The economic benefits of increased U.S. production are indisputable, but an additional consequence of increased OPEC+ production while disincentivizing production on U.S. federal lands and waters will be higher global CO2 emissions. The U.S. offshore—where the scale of investment, high level of innovation, and tight controls on methane involved provides some of the lowest carbon-intensive barrels available globally.[1] Additionally, U.S. onshore development, spurred by innovation and significant new investments in emission-reduction technologies, has helped dramatically increase domestic energy supply in the last decade, while decreasing average methane intensity (emissions relative to production) by 70.7% between 2011 and 2020 in five major US production regions.

At the same time, our industry has taken definitive action against climate change, such as endorsing the direct regulation of methane for new and existing sources, launching multiple voluntary initiatives to further reduce emissions, and promoting other economy-wide solutions. Beyond this direct step for reducing emissions, we have also advocated for innovation-enabling legislation, such as the *Energy Infrastructure Act*, to promote investment in the next generation of low and zero carbon technologies. While we continue to support government policy that results in meaningful, economy-wide reductions in greenhouse gas emissions, we write to express serious concerns with provisions in the House-passed reconciliation bill—many of which fall under the jurisdiction of the U.S. Senate Committee on Energy and Natural Resources—seemingly designed to punitively target certain segments of the energy economy.

The reconciliation text that passed the House of Representatives includes provisions of significant concern. These provisions would serve to place millions of dollars annually in new fees on energy companies that require financial flexibility to continue to produce domestic

[1] U.S. Department of Interior, Bureau of Ocean Energy Management. 2016. "OCS Oil and Natural Gas: Potential Lifecycle Greenhouse Gas Emissions and Social Cost of Carbon" (OCS Report BOEM 2016-065)

energy. Moreover, such impacts on domestic production threaten to result in greater reliance on foreign production from nations with weaker environmental standards as compared to production from U.S. federal waters and comparable regions onshore, thus contributing to carbon leakage and damaging U.S. competitiveness Measures such as these could serve to stifle U.S. production and result in further inflationary pressures on those U.S. citizens that can least afford it. These harmful provisions include but are not limited to:

1. New per-barrel tax on domestic energy production (Sec. 70804(o))
2. New per-acre lease fees on onshore and offshore leases (Sec. 70804(i) and (l))
3. Royalties on extracted methane used or consumed (Sec. 70804(r))
4. Creation of new annual pipeline fees of at least $10,000 per mile in deepwater and $1,000 per mile in shallower water (Sec. 70804(q))
5. Increasing minimum offshore and onshore royalty rates (Sec. 70804(c))
6. Ban on Eastern Gulf, Atlantic and Pacific leasing; (Sec. 70804(b))
7. New and increased offshore inspection fees (Sec. 70804(m) and (n))
8. Shortened onshore lease term lengths (Sec. 70804(h))
9. New idled well fees (Sec. 70804(p))
10. Repealing royalty relief authority (Sec. 70804(s))
11. Unrestrained authority for the Secretary to withdraw lands without due process or any public input (Section 70709)
12. Imprecisely drafted provisions to update bonding requirements and duplicative bonding provisions for idle wells (Section 71409)
13. Multiple, duplicative per acre fees for onshore leases (71407, 71411-71414)

At the same time, operators investing in the United States are grappling with and assessing other significant proposals in the House legislation, ranging from a methane tax to the ongoing threat of increased taxes.

Our industry is focused on continued efforts to reduce emissions and deploy next generation technologies to address the climate challenge. We seek to be constructive partners in the development of thoughtful and balanced national policy to address climate change. However, punitively targeted provisions such as those included in the Committee on Natural Resources sections will hinder, not help this effort. It is our hope that as this bill is considered by the Senate these punitive provisions are removed and the legislation instead focuses on economy-wide and broad-based actions to craft a 21st century natural resources policy, without penalizing an American industry that supports millions of high-paying jobs while producing some of the lowest carbon energy produced in America.

Very respectfully,

National Ocean Industries Association
American Exploration and Production Council
American Petroleum Institute
Energy Workforce and Technology Council
International Association of Geophysical Contractors

Independent Petroleum Association of America
Louisiana Mid-Continent Oil and Gas Association
US Oil and Gas Association

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