Energy Issues Outlook

Ports to Plains Alliance
Energy Summit
April 1, 2015
2014 Election Results – House

Partisan Makeup
- 267 Republicans
- 168 Democrats

Leadership Team
- Speaker John Boehner (R-OH)
- Majority Leader Kevin McCarthy (R-CA)
- Minority Leader Nancy Pelosi (D-CA)
- Minority Whip Steve Scalise (R-LA)

Committee Chairmen
- Energy & Commerce – Fred Upton (R-MI)
- Natural Resources – Rob Bishop (R-UT)
- Ways & Means – Paul Ryan (R-WI)
- Appropriations – Hal Rogers (R-KY)
Partisan Makeup

- 54 Republicans
- 44 Democrats/2 Independents

Leadership Team

- Majority Leader Mitch McConnell (R-KY)
- Majority Whip John Cornyn (R-TX)
- Minority Leader Harry Reid (D-NV)
- Minority Whip Richard Durbin (R-IL)

Committee Chairmen

- Energy & Natural Resources – Lisa Murkowski (R-AK)
- Environment & Public Works – James Inhofe (R-OK)
- Finance – Orrin Hatch (R-UT)
- Appropriations – Thad Cochran (R-MS)
Key Political Priorities

• Protect “Administrative Prerogative”
• Protect Affordable Care Act
• Protect Immigration Reforms
• Climate Change
• Cement Legacy as Liberal Leader
• Portray Republicans as right-wing zealots going into 2016 election cycle
Climate Change Plan

• Proposed Regulations for New Power Plants
  • 1,100 tons per MWh of capacity for coal-fired plants
  • 1,200 tons per MWh for small plants
  • 1,000 tons per MWh of capacity for IGCC natural gas plants

• Proposed Regulations for Existing Coal-Fired Plants
  • State specific emission rate-based CO2 reduction goals
  • Guidelines for development, submission and implementation of state plans
    • Four Building Blocks

• ESA/NEPA/CAA
Domestic Energy Production

- Hydraulic Fracturing
  - Administration has supported hydraulic fracturing
  - Restricted on federal lands

- Federal Lands – Reduce Leasing & Restrict Production
  - Alaska
  - Offshore
  - Onshore – Federal Lands

- Infrastructure – Slow Roll Permits
  - Keystone XL
  - LNG Exports
Clean Air Act

- Carbon Regulations
  - New Coal-Fired Plants
  - Existing Coal-Fired Plants
- Mercury - MATS
- Cross-State Air Pollution Rule
- Ozone
  - Proposed new standards would potentially place 75% of all counties into Non-Attainment Status
  - Withdrew proposal prior to 2012 election – moving forward now
Congress and the Administration

• Several major fights are percolating between Congress and the Obama Administration
  • Keystone XL
  • EPA Carbon Regulations
  • Alaska
  • Offshore Drilling
  • Endangered Species Act
  • Oversight
  • Appropriations Riders

• Because of the partisan gridlock in DC, Congress will not be able to override Obama Administration initiatives
What Does it Mean?

• Energy and environmental issues will continue to play a very visible roll in the partisan squabbling in DC
• The Obama Administration will continue to push its climate change policy very aggressively
• State Governments are becoming increasingly energy-friendly
  • Jobs/Economic Growth/Government Revenues
  • Rational Policy Discussions
  • Pro-Business-Pro-Energy Democrats
• Anti-Development activists are moving their fight from Washington, DC to States and local governments
What Does it Mean?

• Oil & Natural Gas Development
  • Natural Gas development utilizing hydraulic fracturing and horizontal drilling have increased U.S. production by 25% since 2008 – resulting in 65% price drop
    • Projected to increase 56% by 2030
    • Price drop has lead to U.S. Manufacturing Renaissance
  • Oil development utilizing hydraulic fracturing and horizontal drilling on state and private lands has boosted U.S. oil production by 15% over the past year and prices have fallen by 50%
    • Projected to increase 8.1% in 2015
    • The United States is now setting the world oil price
    • International Geopolitical Implications
    • Low-Cost Gasoline and Diesel are pumping up economic growth
What Does it Mean?

• Oil & Natural Gas Development (continued)
  • Federal Government is not going to regulate hydraulic fracturing and has minimal involvement in pipeline development
  • Federal Government is going to continue to slow roll development on federal lands
  • State Governments will continue to play lead roll in permitting and regulation of development activity
  • Anti-Development Activists have had minimal success fighting oil & natural gas development at state government level and are starting to focus efforts at county and municipal government level
  • Anti-Development Activists have turned to fights over energy infrastructure to restrict access to markets and discourage production
What Does it Mean?

• **Electricity Generation**
  - EPA will not allow any new coal-fired power plants to come online
  - EPA will finalize regulations on existing coal-fired power plants designed to force premature shutdowns
  - Given the inherent challenges with new sources of electricity generation (nuclear, wind, solar and waste-to-energy), natural gas will be the default fuel
    - Anti-Development Activists will turn against natural gas
  - Electricity Rates will rise – potentially significantly
  - States, Utilities and Electric Cooperatives will have to work together to establish a path forward on electricity generation
Questions?

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