

Oil & Gas Production, the Obama Administration and the 111th Congress

A Legislative and Regulatory Preview
and Call to Action



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Makeup of the 111th Congress

- House
 - 256 Republicans
 - 177 Democrats
 - 2 Recounts Underway (VA-5, LA-4)
- Senate
 - 56 Democrats
 - 41 Republicans
 - 2 Independents
 - 1 Recount Underway (Minnesota)

111th Congress - House

- Speaker of the House
 - Nancy Pelosi (D-CA)
- Natural Resources Committee
 - Nick Rahall (D-WV)
- Energy & Commerce Committee
 - Henry Waxman (D-CA)
- Ways & Means Committee
 - Charlie Rangel (D-NY)

111th Congress - Senate

- Majority Leader
 - Harry Reid (D-NV)
- Energy & Natural Resources Committee
 - Jeff Bingaman (D-NM)
- Environment & Public Works Committee
 - Barbara Boxer (D-CA)
- Finance Committee
 - Max Baucus (D-MT)

Obama Administration

- Chief of Staff
 - Rahm Emanuel
- White House Energy & Climate Change Czar
 - Carol Browner
 - Jason Grumet
- Environmental Protection Agency
 - Lisa Jackson
 - Katie McGinty
 - Mary Nichols
- Department of Interior
 - Raul Grjalva
 - Mike Thompson

Influencing Policy in the 21st Century

- Congress, the White House, and Federal Departments & Agencies have responded to pressure from outside the beltway when making policy decisions
- The 111th Congress and the Obama Administration will set their agendas based on the input and pressure that they receive from their constituents and stakeholders

Influencing Policy in the 21st Century

- Smart Stakeholders have organized and run very effective policy-based campaigns in select congressional districts, statewide or nationwide to influence votes or policies
 - Grassroots
 - Grasstops
 - Third-Party Outreach
- Environmental NGOs have built the most effective policy-based campaign programs

Influencing Policy in the 21st Century

- ENGO Playbook is simple and very, very effective
 - Be Consistent
 - Goals
 - Messaging
 - Play Offense
 - Play Outside the Beltway
 - Recruit Strong Allies
 - Reward Good Behavior and Punish Bad Behavior

ENGO Agenda

- **Policy Objectives of ENGOs include:**
 - **Prohibit access to domestic energy resources**
 - **Prohibit development of conventional energy production**
 - **Reduce energy use through conservation, energy efficiency, and increased mpg**
 - **Reduce use of energy through demand destruction**
 - **Eliminate economic reliance on coal and oil**

ENGO Agenda

- In order to implement their policy objectives, ENGOs have developed a comprehensive Legislative and Regulatory Agenda that includes:
 - Carbon-emissions permitting requirements
 - Endangered Species Act
 - Clean Water Act
 - NEPA
 - Ever-stricter Clean Air Act requirements
 - Increased CAFE requirements
 - Low Carbon Fuel Standard
 - Carbon Cap-and-Tax Program

Industry Response

- While ENGOs have developed and implemented effective campaigns to influence public policy, Industry has failed to engage effectively
 - Failed to create cohesive industry messages for public dissemination
 - Negative image in public & media
 - Failed to develop industry-wide priorities for community outreach

110th Congress - Agenda

- Prior to the gas & diesel price spikes in 2008, the Congressional Agenda was set in response to the ENGO campaigns
 - Raise Taxes on oil & gas production
 - Raise Royalties on offshore oil & gas production
 - Block unconventional leasing program at Department of Interior
 - Roll-back pro-energy provisions of EPACT 2005
 - Implement cap-and-tax carbon reduction package
- In response to public outrage over fuel prices, Congress quickly shifted priorities
 - Dropped OCS Ban
 - Dropped Oil-Shale Ban
 - Quashed Climate Change bill in House

111th Congress - Agenda

- Leadership in both the House and the Senate have announced their intention to “move past” the fuel price spikes of 2008 and resume efforts to implement the agenda pushed by ENGOs
 - OCS Moratorium
 - Oil Shale Moratorium
 - Carbon-emissions permitting requirements
 - Endangered Species Act
 - Clean Water Act
 - NEPA
 - Ever-stricter Clean Air Act requirements
 - Increased CAFE requirements
 - Low Carbon Fuel Standard
 - Carbon Cap-and-Tax Program

Obama Administration 2009-10 Agenda

- Would like Congress to move on all the major energy/environmental/climate change initiatives – which he will gladly sign into law
- If Congress fails to pass legislation in first 18 months, Administration will start to move on regulations to implement these policies

Industry Response

What's At Stake

- If Industry does not engage effectively in the public policy debate over the next two years, Congress and the Obama Administration will enact legislation or implement regulations that will:
 - Substantially restrict access to domestic energy supplies
 - Substantially raise taxes and royalties on energy production
 - Require new permitting regimes for oil & gas production under ESA and CWA
 - Establish a Low Carbon Fuel Standard
 - Enact an economy-wide climate change regime

Industry Response

We Need a New Approach

- In order to effectively influence the policy agenda of the 111th Congress and the Obama Administration, Industry needs to adopt the game-plan put together by ENGOs
 - Be Consistent
 - Goals
 - Messaging
 - Play Offense
 - Play Outside the Beltway
 - Recruit Strong Allies
 - Reward Good Behavior and Punish Bad Behavior

Summary – Three Thoughts

- Policy decisions made in Washington, DC have a very direct impact on you and your company
- Policymakers in Washington respond directly to pressure from their constituents and stakeholders
- Win the argument – you will win the vote

Summary – Homework

- Develop a grass-roots plan for your company
- Work with IPAMS, the Consumer Energy Alliance and other stakeholder groups to keep abreast of policy movements in Washington
- Engage
 - Grasstops Letters
 - Grassroots Comments
 - Third-party Outreach

Questions?

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