Testimony Before the Senate Committee on Banking, Housing, and Urban Affairs
in a hearing entitled
An Economy that Works for Everyone: Investing in Rural Communities

Kathleen Sgamma
President, Western Energy Alliance
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Chairman Brown and Ranking Member Toomey, thank you for the opportunity to testify today. I'm delighted to appear before the committee to talk about how the oil and natural gas industry is part of an economy that works for everyone and invests in rural communities, particularly in the West.

Western Energy Alliance represents about 200 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas in the Rocky Mountain West. Alliance members are independents, the majority of which are small businesses with an average of fourteen employees.

Because the West is predominated by federal lands and lacks any major oil and natural gas production areas that do not contain some federal mineral estate, we are the leading trade association on public lands issues for the industry. With few exceptions federal oil and natural gas activities take place in rural areas. Ours is the primary industry supporting rural areas such as the Permian Basin in eastern New Mexico, the Uinta-Piceance Basin straddling the Utah/Colorado border, the Powder River Basin in northeastern Wyoming, and the Williston in western North Dakota.

The American oil and natural gas industry is proud to be an integral part of an economy that works for everyone. We generate $1.3 trillion in economic activity annually, and sustain 10.3 million American jobs, both directly and indirectly.[1] A large portion of the direct jobs are in rural communities. We have saved consumers hundreds of billions of dollars by increasing production and making energy more affordable.[2]

Besides investing in rural communities and creating jobs, we also develop the mineral resources of rural land and mineral owners, who are ordinary citizens mostly of otherwise modest means. The industry generates over $21 billion in royalties to individual mineral owners, further stimulating the economies of rural communities.[3] The Bureau of Indian Affairs reports that Navajo mineral owners receive about $96 million annually in royalties.[4] These royalties sustain 21,000 mineral owners and their families in an impoverished region plagued by high unemployment. As such, the oil and natural gas industry furthers environmental justice goals in otherwise disadvantaged rural areas.

[1] *Impacts of the Oil and Natural Gas Industry on the US Economy in 2015*, PWC on behalf of the American Petroleum Institute (API), 2017.
[2] *The Impacts of Horizontal Multi-stage Hydraulic Fracturing Technologies on Historical Oil Production, International Oil Costs, and Consumer Petroleum Product Costs*, ICF International on behalf of API, Oct. 30, 2014.
[3] *Billions in gas drilling royalties transform lives*, AP, January 27, 2013.
[4] *Final Audit Report: Bureau of Indian Affairs' Federal Mineral Office*, Office of the Inspector General, U.S. Department of the Interior, February 3, 2017.

Conversely, President Biden in just the first week of his term destroyed thousands of jobs and economic opportunity in rural areas. I provide details below regarding the revocation of the Keystone XL pipeline permit and the ban on federal leasing, which together will kill up to 145,700 jobs and $15.8 billion in economic activity this year alone, mostly in rural areas. Further, these two policies will deprive rural communities of their share of $3.1 billion in government revenues for vital services this year such as education, infrastructure, public health, safety and COVID recovery. The policies also put at risk $2.8 billion in conservation funding sourced almost exclusively from the oil and natural gas industry. This committee could ensure investment in rural communities that works for everyone simply by urging President Biden to reverse these policies.

Keystone XL Pipeline

The cancelation of the Keystone pipeline elicited this statement from North America's Building Trades Unions (NABTU) President Sean McGarvey: "Environmental ideologues have now prevailed, and over a thousand union men and women have been terminated from employment on the project."[5] The environmental lobby indeed has compelled another decision that is bad for the environment and public safety, as transporting oil by pipeline is safer and has fewer greenhouse gas emissions than transporting by rail and truck.

Besides the immediate loss of 1,000 union jobs, indirect jobs in hotels, restaurants, supply stores, and other small businesses in rural areas along the route through Montana, South Dakota, and Nebraska will be lost. TC Energy signed $1.6 billion in contracts with suppliers that would have supported up to 11,000 jobs in 2021 had it not been for President Biden's action.[6] That investment will not be easily replaced in these states, and certainly not with vague promises of green jobs that have yet to materialize.

Federal Onshore Leasing Ban

Likewise, the leasing ban on federal lands and waters signed on January 27th will kill jobs and economic opportunity in rural areas of the West and coastal communities along the Gulf of Mexico.[7] Many rural counties with majority federal land ownership would be devastated by a complete ban on federal oil and natural gas. By losing their economic base, previously sustainable rural communities become newly disadvantaged. And the jobs lost would impact blue-collar jobs held by a diverse workforce.

The ban on onshore leasing alone will kill 32,700 jobs this year, growing to 58,676 jobs destroyed annually by the end of President Biden's term.[8] Similarly, $4.95 billion in Gross Domestic Product (GDP) and $1.3 billion in tax revenue lost in the first year will grow to $33.5 billion and $8.3 billion lost, respectively, by the end of his term. The economic impact will be felt primarily in rural communities in the eight western states that represent over 97% of federal onshore oil and natural gas production.

Although the ban is characterized as a "pause" on just new leasing, the Executive Order directs a wide-ranging analysis of all federal oil and natural gas exploration and production activities, not just leasing.

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[5] *North America's Building Trades Unions Statement on KXL Pipeline Cancellation Announcement*, January 21, 2021.
[6] *TC Energy Awards More Than $1.6 billion in American Contracts to Build Keystone XL, Project to Create Over 8,000 Union Jobs in 2021*
[7] *Executive Order 14008 on Tackling the Climate Crisis at Home and Abroad*, January 27, 2021.
[8] *The Fiscal and Economic Impacts of Federal Onshore Oil and Gas Lease Moratorium and Drilling Ban Policies*, Dr. Timothy J. Considine, University of Wyoming on behalf of the Wyoming Energy Authority, December 14, 2020.

The comprehensive review will be a years-long analysis with the ultimate goal of stopping or at least severely curtailing all oil and natural gas development on new and existing leases. If taken to the ultimate goal of banning all federal onshore oil and natural gas, by 2040 annual job losses would be 351,554 and the cumulative losses over 20 years would total $300 billion in wages, $670.5 in GDP and $159 billion in state tax revenues. Rural communities in the West will bear the brunt as funding for education, roads, public safety and other vital services dries up.

The impacts of the president's leasing ban accumulate quickly in the first year because of the complex nature of federal development and the interlocking land and mineral ownership of the West. The leasing ban is already affecting existing projects awaiting adjacent leases. It will affect Indian, state, and private horizontal wells that cannot avoid federal minerals that lie along their laterals. New federal leases are necessary to move forward with projects on existing leases in both these common situations. By isolating adjacent lands, a blanket federal leasing ban affects development of tribal and Indian allottee lands, despite the reassuring statement that the "order does not restrict energy activities on lands that the United States holds in trust for Tribes." Companies cannot efficiently develop pockets of tribal and Indian minerals isolated amongst federal lands, and the energy tribes that wish to develop their oil and natural gas resources will be negatively impacted. Depriving the energy tribes of their primary source of economic activity is contrary to environmental justice goals and ensuring a fair economy that works for everyone.

Duchesne County, Utah is a good example of a western rural community that will be adversely affected. The county is the size of Rhode Island and home to 20,000 people. Its land surface is comprised of 65% federal and 18% Uintah & Ouray Indian Reservation.[9] The county and Ute Indian Tribe rely heavily on oil and natural gas development, which is why both came out strongly in support of oil and natural gas development on federal and tribal lands.[10]

There are similar rural counties across the West that have a majority of public lands and a similar reliance on oil and natural gas, such as Rio Blanco, Colorado (75% federal lands, 85% county revenue from oil and natural gas)[11] and Sweetwater County, Wyoming (90% of the budget comes from fossil fuel taxes.)[12] Rural communities in the Permian Basin of eastern New Mexico and the San Juan Basin in the northwest will likewise bear a heavy economic cost if the leasing ban remains in place. Because 63% of New Mexico's production is federal and the state stands to lose $709 million in education funding from just a 10% decline in production, Governor Michelle Lujan Grisham has opposed the leasing ban.[13]

[9] *Duchesne County Resource Assessment*, USDA Natural Resources Conservation Service, August 2005.
[10] See the Duchesne County Commission resolution and Ute Indian Tribe letter available on our Western Voices page.
[11] *Testimony of Rio Blanco County Commissioner Shawn Bolton before the House Committee on Natural Resources*, April 20, 2016.
[12] *Facing a Reckoning, Wyoming Wrestles with a Transition From Fossil Fuels,* NPR, February 10, 2021.
[13] Governor Lujan Grisham's letter to President Biden, March 15, 2021.

Federal Offshore Leasing Ban

Although Western Energy Alliance represents the landlocked Rocky Mountain West, I point the Committee to a study by the National Ocean Industry Association (NOIA) that finds the offshore leasing ban will kill 102,000 jobs, $9.2 billion in GDP, and $1.8 billion in government revenue annually.[14] Further, $300 million that would otherwise go in the Land and Water Conservation Fund (LWCF) will be lost. Offshore oil and natural gas royalty and leasing revenue is the sole source of revenue for the LWCF.

Conservation Funding

Conservation is an impact that I do not believe President Biden was advised of before he signed the order banning federal leasing. Under the Great American Outdoors Act (GAOA) passed by Congress in an overwhelming bipartisan fashion last summer, $1.9 billion annually, predominantly from federal oil and natural gas leasing and royalty revenue, is available for conservation and infrastructure in national parks, national wildlife refuges, Bureau of Land Management lands, and Bureau of Indian Affairs schools. The act also permanently funds the LWCF to the tune of $900 million annually for the first time in its 56-year history.

Since the federal oil and natural gas program is almost exclusively the source of this funding, President Biden is risking $2.8 billion annually for national park and public lands conservation and infrastructure. That funding could support 108,364 jobs in rural communities near national parks and other public lands across the entire country.[15] Interior Secretary Haaland just announced the distribution of $1.6 billion this year from GAOA funds,[16] including to state recipients that do not contribute oil and natural gas royalty revenue:[17]

- Virginia - $247.5 million
- North Carolina - $153.8 million
- New York - $50.5 million
- Washington - $50.3 million
- New Jersey - $28.3 million
- Massachusetts - $25.4 million
- Oregon - $12.5 million

Western Energy Alliance urges the Committee to help us convince the President to overturn these policies that disproportionately impact rural communities in the West. We ask that you also consider the conservation impact across the entire country. Thank you.

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[14] *The Economic Impacts of the Gulf of Mexico Oil and Natural Gas Industry*, Energy & Industrial Advisory Partners on behalf of NOIA,

[15] *Restoring Parks, Creating Jobs*, The Cadmus Group on behalf of Pew Charitable Trusts, June 2019.

[16] *Interior Invests $1.6 Billion to Improve Infrastructure on Public Lands and Tribal Schools*, Department of the Interior Press Release, April 2, 2021.

[17] *National Park Deferred Maintenance Needs*, The Pew Charitable Trusts, November 11, 2020.