

THE REGULATION OF OIL AND GAS UNDER THE TRUMP ADMINISTRATION

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THE REGULATION OF OIL AND GAS UNDER THE TRUMP ADMINISTRATION

Oil and Gas

- Facts
- Presidential Actions
- Offshore and Onshore
- Methane NSPS
- ICRs and CTGs
- Pipelines

Other Rules Impacting Oil and Gas

- Ozone
- Clean Water Rule
- Climate

Compliance and Enforcement

- Oil and Gas
- General

Questions

Oil and Gas - Facts

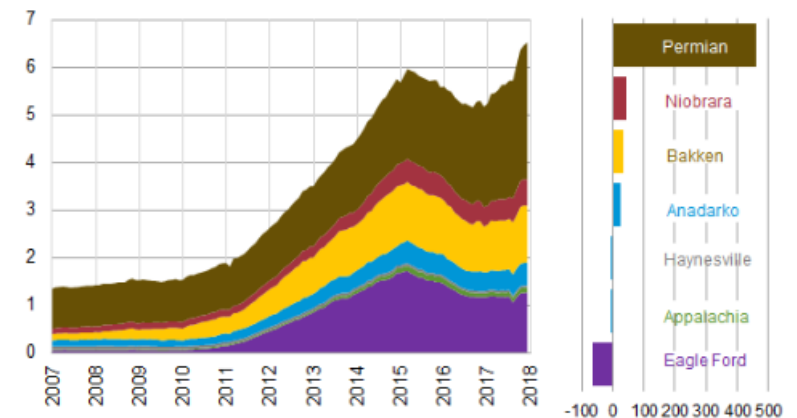
U.S. monthly crude oil production (Jan 1920- Nov 2017)
million barrels per day (b/d)



Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*

Figure 3. U.S. crude oil production by region
million barrels per day

year-over-year change
2017 – 2016
thousand barrels per day

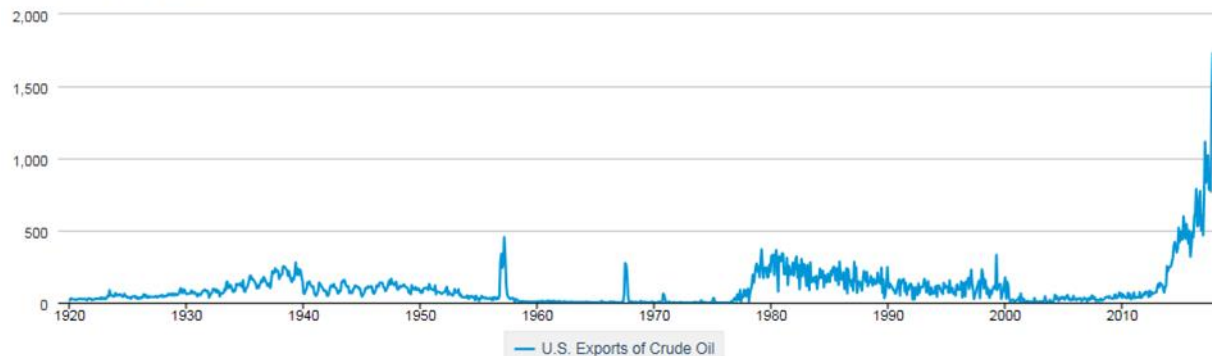


Source: U.S. Energy Information Administration, *Drilling Productivity Report*

U.S. Exports of Crude Oil

DOWNLOAD

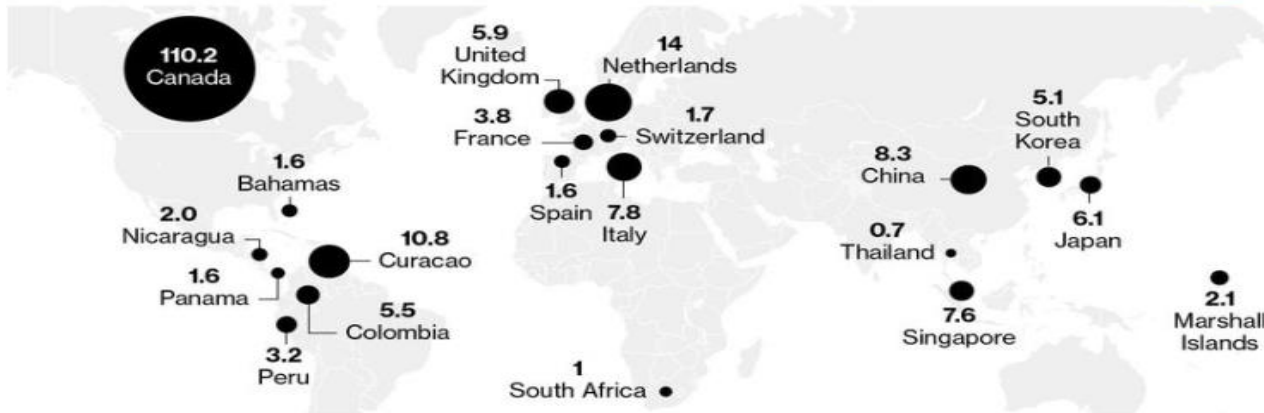
Thousand Barrels per Day



Oil and Gas - Facts

U.S. Oil Volumes Abroad...

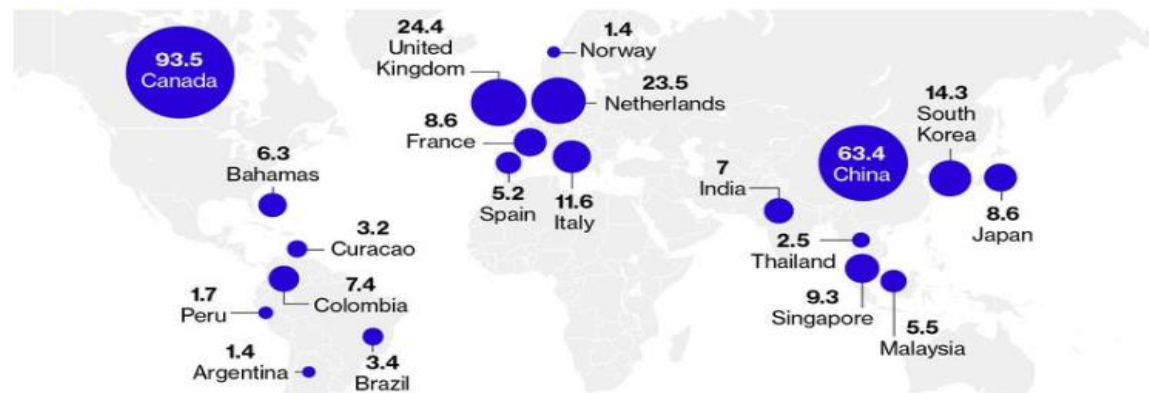
2016 top twenty importers of U.S. crude, in millions of barrels



Source: U.S. Census Bureau

Bloomberg

2017 top twenty importers of U.S. crude, in millions of barrels*



Note: 2017 totals are through October

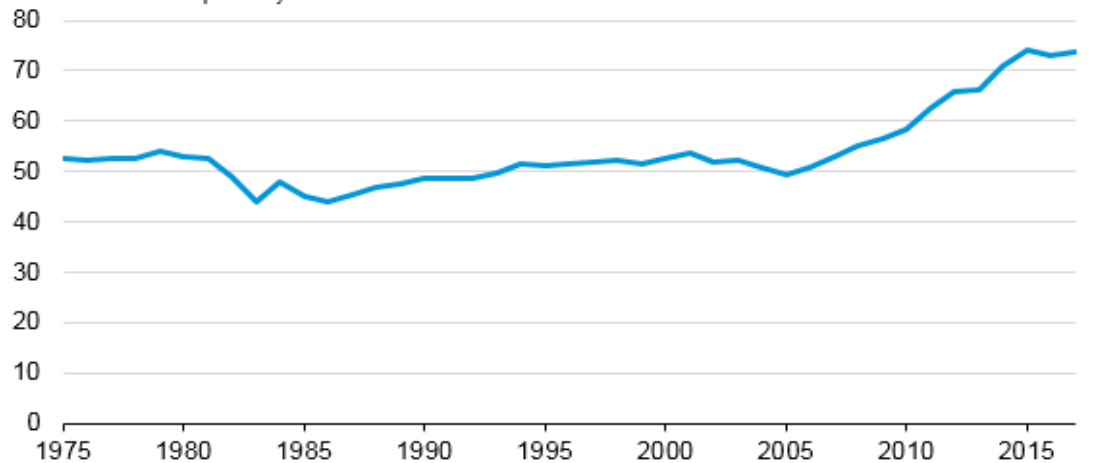
Source: U.S. Census Bureau

Bloomberg

Oil and Gas - Facts

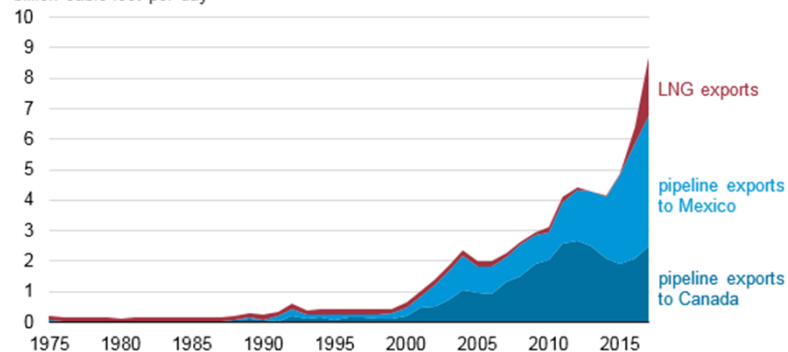
United States dry natural gas production (1975-2017)

billion cubic feet per day



Source: U.S. Energy Information Administration, *Natural Gas Monthly*

U.S. natural gas exports
billion cubic feet per day



Source: U.S. Energy Information Administration, *Natural Gas Monthly*

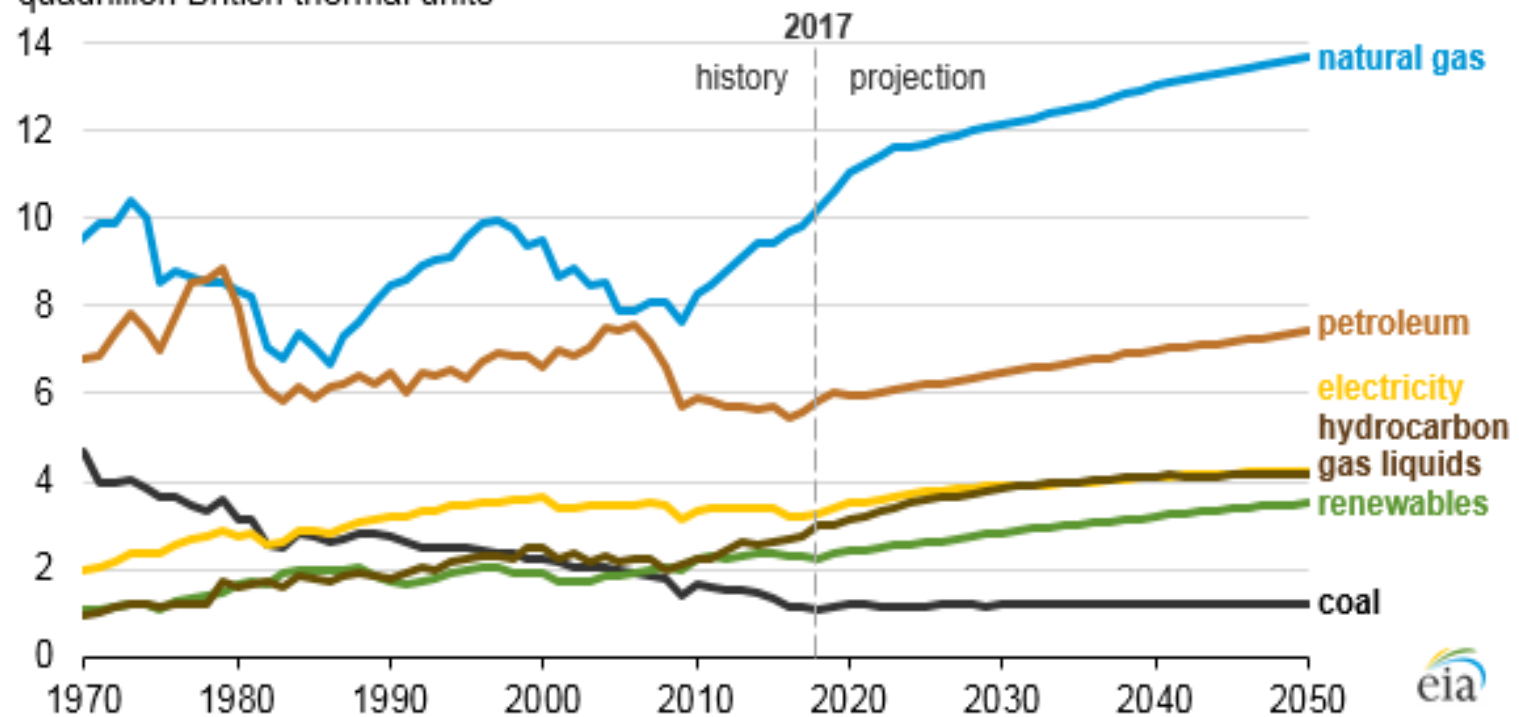
Gas Goes Abroad

U.S. NGL and LNG exports rise to records in 2017 as Asian buying strengthens



Oil and Gas - Facts

Industrial energy consumption in AEO2018 Reference case (1970-2050)
quadrillion British thermal units



Source: U.S. Energy Information Administration, [Annual Energy Outlook 2018](#) Reference case

Oil and Gas - Presidential Actions

An America First Energy Plan

Energy is an essential part of American life and a staple of the world economy. The Trump Administration is committed to energy policies that lower costs for hardworking Americans and maximize the use of American resources, freeing us from dependence on foreign oil.

For too long, we've been held back by burdensome regulations on our energy industry. President Trump is committed to eliminating harmful and unnecessary policies such as the Climate Action Plan and the Waters of the U.S. rule. Lifting these restrictions will greatly help American workers, increasing wages by more than \$30 billion over the next 7 years.

Sound energy policy begins with the recognition that we have vast untapped domestic energy reserves right here in America. The Trump Administration will embrace the shale oil and gas revolution to bring jobs and prosperity to millions of Americans. We must take advantage of the estimated \$50 trillion in untapped shale, oil, and natural gas reserves, especially those on federal lands that the American people own. We will use the revenues from energy production to rebuild our roads, schools, bridges and public infrastructure. Less expensive energy will be a big boost to American agriculture, as well.

The Trump Administration is also committed to clean coal technology, and to reviving America's coal industry, which has been hurting for too long.

In addition to being good for our economy, boosting domestic energy production is in America's national security interest. President Trump is committed to achieving energy independence from the OPEC cartel and any nations hostile to our interests. At the same time, we will work with our Gulf allies to develop a positive energy relationship as part of our anti-terrorism strategy.

Lastly, our need for energy must go hand-in-hand with responsible stewardship of the environment. Protecting clean air and clean water, conserving our natural habitats, and preserving our natural reserves and resources will remain a high priority. President Trump will refocus the EPA on its essential mission of protecting our air and water.

A brighter future depends on energy policies that stimulate our economy, ensure our security, and protect our health. Under the Trump Administration's energy policies, that future can become a reality.

Posted on January 20, 2017

- Committed to energy policies that lower costs for hardworking Americans and maximize the use of American resources
- Eliminate harmful and unnecessary policies
Such as Climate Action Plan and WOTUS
Will increase wages by \$30B over 7 years
- Boost domestic energy production
Embrace the shale revolution
Tap into \$50T of reserves
Especially on federal lands
Use revenues for infrastructure
Achieve energy independence
- Committed to clean coal technology
Revive America's coal industry
- Refocus EPA on its essential mission
Protect our air and water

Oil and Gas - Presidential Actions

- *Promoting Energy Independence and Economic Growth*

- Executive Order No. 13783, March 28, 2017

- Ordered review all existing regulations that potentially burden the development or use of domestic energy

- Final reports due 180 days after order

- Rescinded multiple climate-related policies and guidance, such as ...

- President's Climate Action Plan

- Climate Action Plan Strategy to Reduce Methane Emissions

- Ordered review of ...

- Clean Power Plan

- Social Cost of Carbon

- Multiple EPA and Interior rules on oil and gas

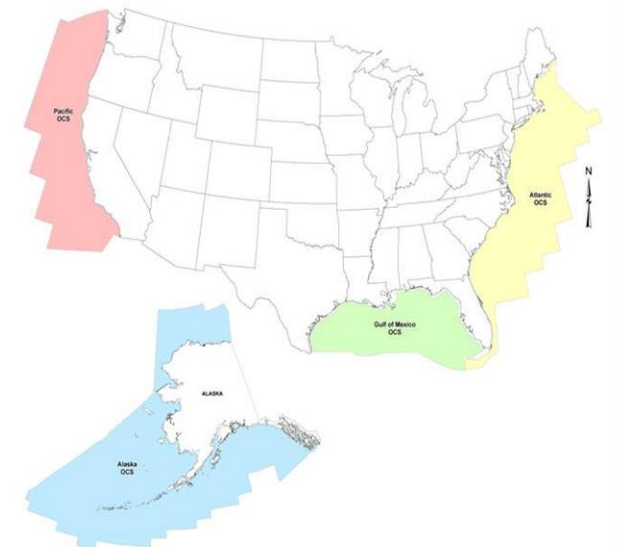
- *Implementing an America-First Offshore Energy Strategy*

- Executive Order No. 13795, April 28, 2017

- Policy “to encourage energy exploration and production, including on the Outer Continental Shelf”

- Interior ordered to give full consideration to revising the schedule of proposed oil and gas lease sales so that it includes previously off-limit areas

- Ordered review of two final and one proposed rule that applied to off-shore operations



Oil and Gas - Offshore

- Department of Interior – Order 3350, May 1, 2017
 - Begin development of new 5-Year OSC leasing program (2019-2024)
 - Include Alaska, Mid-Atlantic, South Atlantic, and Gulf of Mexico
 - Ordered review or ‘stop work’ of several rules that applied to off-shore operations
 - Offshore Air Quality (81 Fed. Reg. 19717, 4/5/16)
 - Well Control Rule (81 Fed. Reg. 25888, 4/29/16)
 - Offshore Arctic Drilling Rule (81 Fed. Reg. 46478, 7/15/16)
- Draft National OSC Program 2019-2014, January 4, 2018
 - Covers 90% of OSC
 - 47 potential lease sales in 25 of 26 planning areas
 - Includes Alaska, Pacific, Gulf of Mexico, and Atlantic
 - Florida got exemption – other states may seek one as well
- Gulf of Mexico lease sale, March 21, 2018 (Lease Sale 250)
 - Bids at \$124 million
 - Offered 77 million acres of Gulf of Mexico – all available unleased acreage in Gulf of Mexico
 - 159 bids for 805,403 acres

Oil and Gas - Onshore

- Department of Interior – Order 3354, July 6, 2017
 - Steady decline in leases on federal lands between 2009 – 2016
 - BLM had 2,802 pending applications to drill as of January 31, 2017
 - Average processing time was 257 days
 - Order 3354 to ...
 - Ensure quarterly lease sales are held
 - Ensure faster permitting
- Department of Interior – Order 3352, May 31, 2017
 - Relates to National Petroleum Reserve – Alaska
 - Ordered review of Integrated Activity Plan to accommodate drilling and environmental protection
 - Ordered re-assessment of oil and gas reserves in NPR-A
- Tax Cuts and Jobs Act, Dec. 22, 2017
 - Opened up ANWR – 1002 Area for drilling
 - 1.5M acres of 19M acres in ANWR
 - Lease to occur within 4 years and a second lease within seven years

Oil and Gas - Onshore

- Department of Interior – Bureau of Land Management

-Applicable on Federal/Indian lands

- Hydraulic Fracturing Rule, 80 Fed. Reg. 16128 (March 26, 2015)

-Stayed and on appeal in Tenth Circuit

-Rescinded by BLM, 82 Fed. Reg. 61924 (December 29, 2017)

- Waste Prevention Rule, 81 Fed. Reg. 83008 (November 18, 2016)

-Limits amount of flaring, adds leak detection, reduces venting

-Interior ordered to review the rule by EO 13783 (March 28, 2017)

-Proposed to rescind and/or revise, 83 Fed. Reg. 7924 (Feb. 22, 2018)

-BLM attempted to suspend or stay the rule for one year, 82 Fed. Reg. 58050 (Dec. 8, 2017)

US District Court (ND CA) enjoined implementation of the 'Suspension Rule' on Feb. 22, 2018

Oil and Gas - Methane NSPS

- The 2012 NSPS Rule
 - 77 FR. 49490 (Aug. 16, 2012)
 - 40 CFR 60, Subpart OOOO
 - New facilities as of Aug. 23, 2011
 - Targets VOCs
 - RECs or 'green completions'
 - Storage tanks
 - Equipment leaks
- The 2016 NSPS Rule
 - 81 FR 35824 (June 3, 2016)
 - 40 CFR 60, Subpart OOOOa
 - New facilities as of Sep. 18, 2015
 - Targets methane and VOCs
 - Subpart OOOO applies between Aug. 23, 2011 and Sept. 18, 2015
 - Owners/operators to find and repair leaks
 - Next Generation Enforcement, such as optical gas imaging
 - General duty added at 40 CFR 60.5370a(b) and to Subpart oooo

| Sources covered by the 2012 New Source Performance Standards (NSPS) for VOCs and the 2016 NSPS for Methane and VOCs, by site | | | | |
|--|--|---------------------|-----------------------|--------------------|
| Location and Equipment/Process Covered | Required to Reduce Emissions Under EPA Rules | Rules that Apply | | |
| | | 2012 NSPS for VOCs* | 2016 NSPS for methane | 2016 NSPS for VOCs |
| Natural Gas Well Sites | | | | |
| Completions of hydraulically fractured wells | ✓ | • | • | |
| Compressors | | | | |
| Equipment leaks | ✓ | | • | • |
| Pneumatic controllers | ✓ | • | • | |
| Pneumatic pumps | ✓ | | • | • |
| Storage tanks | ✓ | • | | |
| Oil Well Sites | | | | |
| Completions of hydraulically fractured wells | ✓ | | • | • |
| Compressors | | | | |
| Equipment leaks | ✓ | | • | • |
| Pneumatic controllers | ✓ | • | • | |
| Pneumatic pumps | ✓ | | • | • |
| Storage tanks | ✓ | • | | |
| Production Gathering and Boosting Stations | | | | |
| Compressors | ✓ | • | • | |
| Equipment leaks | ✓ | | • | • |
| Pneumatic controllers | ✓ | • | • | |
| Pneumatic pumps | | | | |
| Storage tanks | ✓ | • | | |
| Natural Gas Processing Plants* | | | | |
| Compressors | ✓ | • | • | |
| Equipment leaks | ✓ | • | • | |
| Pneumatic controllers | ✓ | • | • | |
| Pneumatic pumps | ✓ | | • | • |
| Storage tanks | ✓ | • | | |
| Natural Gas Compressor Stations (Transmission & Storage) | | | | |
| Compressors | ✓ | | • | • |
| Equipment leaks | ✓ | | • | • |
| Pneumatic controllers | ✓ | | • | • |
| Pneumatic pumps | | | | |
| Storage tanks | ✓ | • | | |
| * Note: Types of sources already subject to the 2012 NSPS requirements for VOC reductions that also are covered by the 2016 methane requirements will not have to install additional controls, because the controls to reduce VOCs reduce both pollutants. | | | | |

* Note: Types of sources already subject to the 2012 NSPS requirements for VOC reductions that also are covered by the 2016 methane requirements will not have to install additional controls, because the controls to reduce VOCs reduce both pollutants.

Oil and Gas - Methane NSPS

- Attempts to stay, delay, and revise

- EPA announces it will review rule pursuant to EO 13783, 82 Fed. Reg. 16331 (April 4, 2017)

- EPA convenes proceeding to reconsider the rule, Pruitt Letter dated April 18, 2017

- Mentions the fugitive emission monitoring requirements

- EPA issues Notice of Reconsideration and Partial Stay, 82 Fed. Reg. 25730 (June 5, 2017)

- Stay issued for three months

- Fugitive emission requirements, well site pneumatic pump standards, and certification by PE Vacated on July 3, 2017 (*Clean Air Council v. EPA*)

- EPA issues proposes stay of two years, 82 Fed. Reg. 27645 (June 16, 2017)

- Fugitive emission requirements, well site pneumatic pump standards, and certification by PE

- EPA Notice of Data Availability

- 82 Fed. Reg. 51788 (Nov. 8, 2017), 82 Fed. Reg. 51794 (Nov. 8, 2017)

- EPA issues final rule on some of the proposals, 83 Fed. Reg. 10628 (March 12, 2018) – relates to fugitive emissions

- Amends requirement that leaking components be repaired during unplanned/emergency shutdowns

- NOTE: Still required to repair during next shutdown or two years, whichever is earlier

- Amends monitoring survey requirements for well sites on the Alaskan North Slope

- Otherwise, Methane NSPS is in effect, including

- Initial monitoring survey of fugitive emissions was required by June 2, 2017

- Reporting

- Initial Semi-annual Report and Semi-Annual Report under 60.5422a(b)

- Annual Report under 60.5420a(b)

- 90 days after initial compliance period (one year from start-up or August 2, 2016)

Oil and Gas - ICRs and CTGs

- Information Collection Requests for Existing Facilities

- Issued to oil and gas operators to gather information for regulation as to those sources under authority of CAA 114
- Designed to build on Paris Agreement
- Withdrawn so EPA can assess need for information, reduce burdens (82 Fed. Reg. 12817, March 7, 2017)
- Follows letter by eleven states expressing concerns regarding burden
- No owner or operator is required to respond

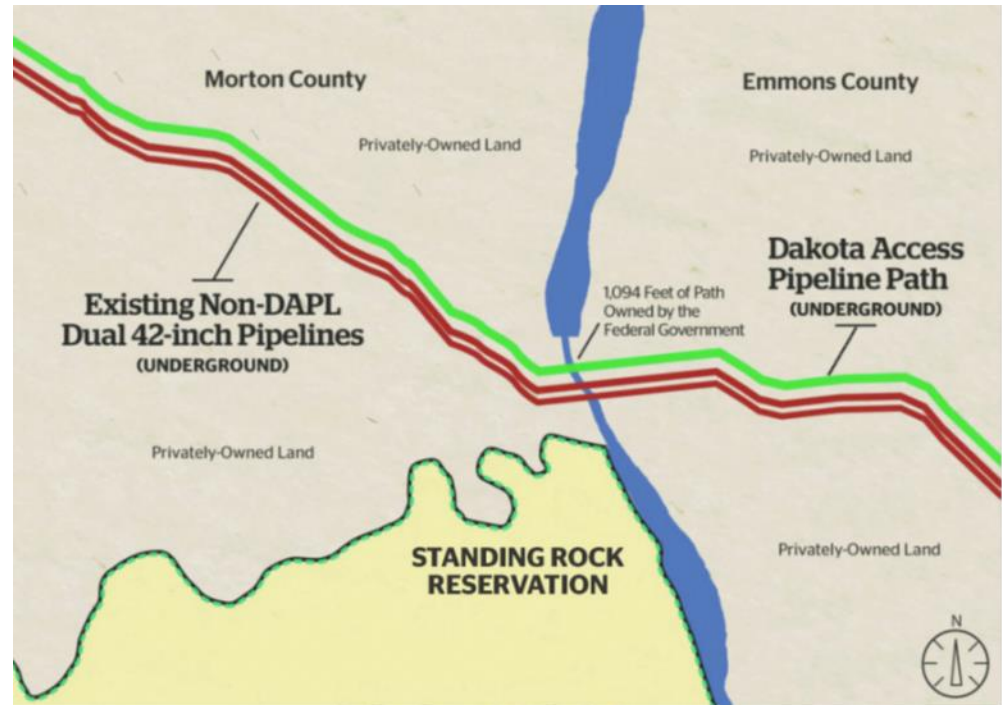
- Control Techniques Guidelines for the Oil and Natural Gas Industry, October 20, 2016

- Applies to VOC emissions from existing oil and gas equipment and processes
- Provides recommendations to agencies for meeting RACT requirements
- Applies to storage tanks, compressors, pneumatic controllers/pumps, equipment leaks, fugitives
- To be applied in ozone non-attainment areas (Moderate or above), states in ozone transport region

- Proposed Withdrawal of CTG (March 1, 2018)

- 83 Fed. Reg. 10478 (March 9, 2018)
- Based on overall review of the Methane NSPS
- CTGs linked to Methane NSPS so “prudent to withdraw the CTG in its entirety”

Oil and Gas - Pipelines



Both subject of Presidential Memoranda, January 24, 2017
Keystone XL

Federal permits issued
Nebraska requested changes in route

Dakota Access

Easement granted by Corps on Feb. 8, 2017
Drilling completed and in service
Corps must review its environmental assessment

Oil and Gas - Pipelines

- Bayou Bridge Pipeline

- Last link of Dakota Access pipeline
- Construction halted by federal court order
- Only within the Atchafalaya Basin
- Appealed to Fifth Circuit
- Fifth Circuit reversed on March 15, 2018
- Construction allowed to continue

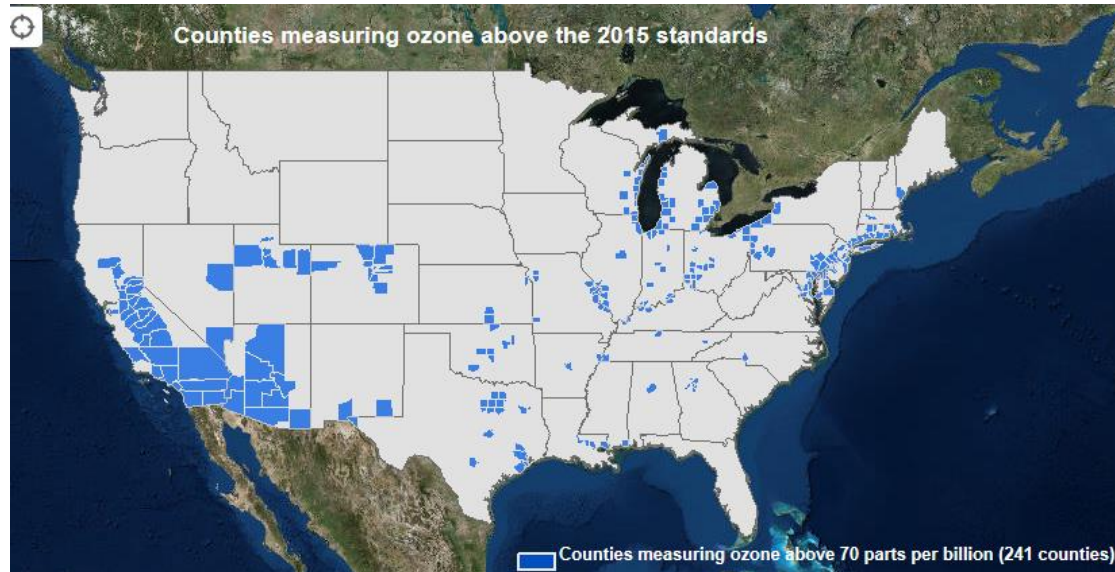


- US House of Representatives Committee Report, March 1, 2018

- Internet Research Agency, based in Russia, sought to influence US energy policy through social media
- Includes posts against Keystone XL, DAPL, Bayou Bridge, and other pipelines

| | |
|--------|---|
| 1/9/17 | RT @johnh_alexander: We Stand with Standing Rock\nSay NO to the Dakota Access Pipeline\nSay NO to the Bayou Bridge Pipeline\nSay NO to Environ... |
|--------|---|

Other Rules - Ozone



- Final rule: 80 FR 65292 (Oct. 26, 2015): 70 ppb is the new primary and secondary standard
- Implementation
 - October 1, 2017: EPA deadline to issue area designations
 - Extended the deadline to October 1, 2018, 82 Fed. Reg. 29246 (June 28, 2017)
 - EPA withdraws extension, 82 Fed. Reg. 37318 (August 10, 2017)
 - EPA issues attainment designations for 2,646 counties, 82 Fed. Reg. 54232 (November 16, 2017)
 - For other areas, EPA is 'not yet prepared to issue designations'
 - EPA sends notice to all states regarding proposed designations on December 20, 2017
 - Final designations 120 days after the notification (April 20, 2018)
 - On March 12, 2018, court ordered designation issued by April 30, with San Antonio to be issued around July 17, 2018
 - EPA can make these designations effective 30 – 60 days after issuance

Other Rules - Ozone

| Area | EPA's Intended Nonattainment Counties |
|--------------------------------|--|
| Dallas/Fort Worth, TX | Collin County Dallas County Denton County Ellis County Johnson County Kaufman County Parker County Rockwall County Tarrant County Wise County |
| Houston-Galveston-Brazoria, TX | Brazoria County Chambers County Fort Bend County Galveston County Harris County Liberty County Montgomery County Waller County |

San Antonio/Bexar County

-EPA letter to Texas, dated
March 19, 2018

-EPA will designate as
Unclassifiable

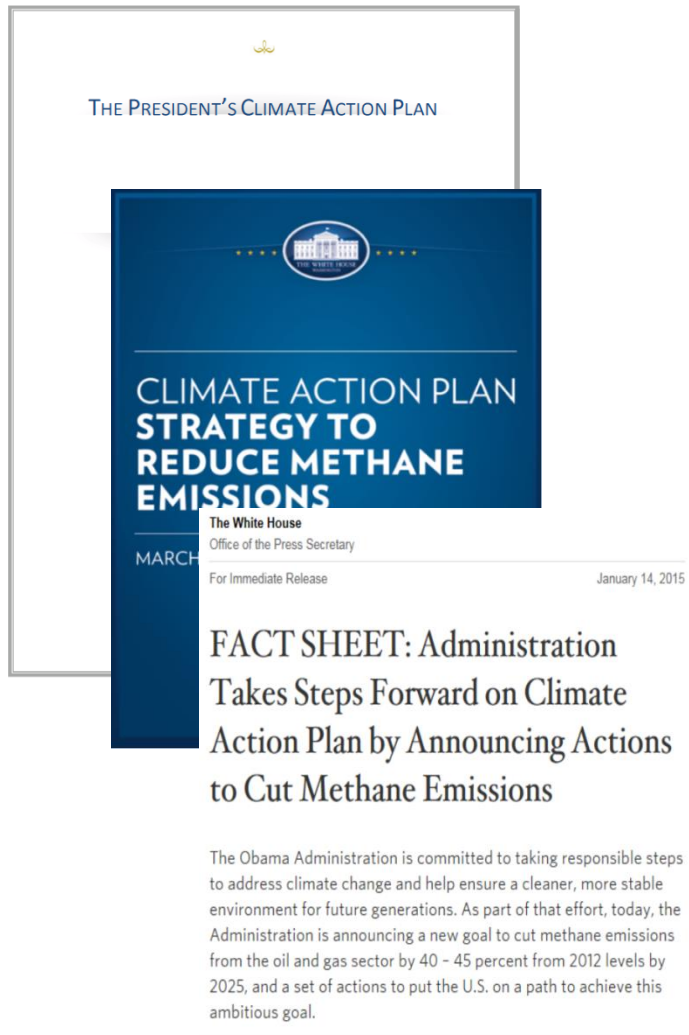
-Asked Texas for any additional
information by May 11, 2018

| Area | EPA's Intended Nonattainment Parishes |
|-----------------|---|
| Baton Rouge, LA | Ascension Parish East Baton Rouge Parish Iberville Parish Livingston Parish West Baton Rouge Parish |

Other Rules - Clean Water Rule

- Clean Water Rule, 80 Fed. Reg. 37054 (June 29, 2015)
- Legal proceedings
 - Numerous suits filed in numerous district courts and appellate courts
 - Nationwide stay issued in *State of Ohio, et al v. U.S. Corps of Engineers, et al*, 803 F3d 804 (6th Cir. 2015)
 - National Association of Manufacturers v. DOD*, US Supreme Court, Jan. 22, 2018 - appellate courts have no jurisdiction
- Administrative proceedings
 - Executive Order #13778, dated February 28, 2017 - ordered review of Clean Water Rule
Seek to define 'navigable waters' as per Justice Scalia's opinion in *Rapanos*
 - EPA Intention to Review and Rescind or Revise the Clean Water Rule, 82 Fed. Reg. 12532 (March 6, 2017)
Announced two-step process
 - Step 1: Re-establish status quo in place prior to 2015 Rule
 - Step 2: Propose new rule to replace 2015 Rule
 - Step 1 Reinstated prior rule, 82 Fed. Reg. 34899 (July 27, 2017)
Applicability date of 2015 Rule is Feb. 6, 2010, 83 Fed. Reg. 5200 (February 6, 2018) (the Applicability Rule)
 - Step 2 Public meetings, received written recommendations, but no proposed rule at this time
- Current Status
 - Prior rules in place
 - Proposed revision due in the summer of 2018
 - Clean Water Rule not applicable until February 6, 2020
 - Litigation pending regarding the Applicability Rule

Other Rules - Climate

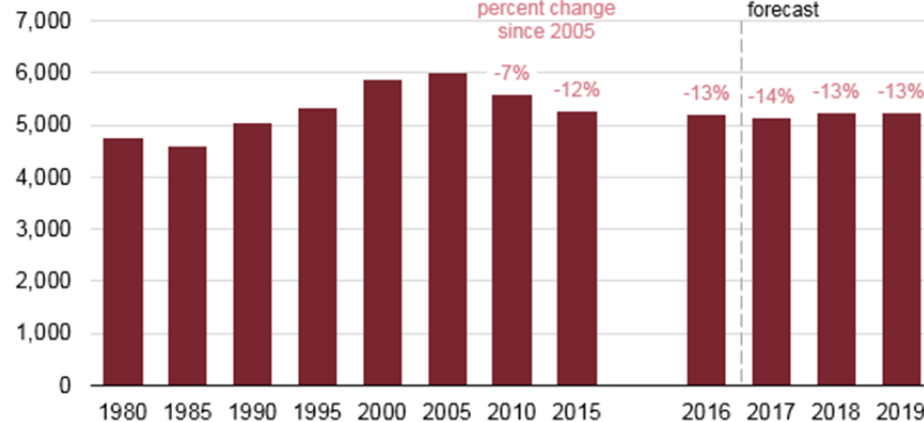


- The Trump Administration
 - Removed WH climate page within minutes of inauguration
 - Suggested withdrawal from Paris Agreement
 - Suggested scrubbing non-regulatory climate data from EPA's web-site
- Executive Order 13783, March 28, 2017
 - Revokes/rescinds most Obama-area climate policies
- Paris Agreement
 - President Trump announced withdrawal on June 1, 2017
 - Based decision on:
 - Economic hardship on United States
 - Payments to Green Fund
 - Lack on reductions by China and India
- Clean Power Plan
 - Proposal to repeal, 82 Fed. Reg. 48035 (October 16, 2017)
 - Comments due by April 28, 2018

Other Rules - Climate

U.S. energy-related carbon dioxide emissions (1980-2019)

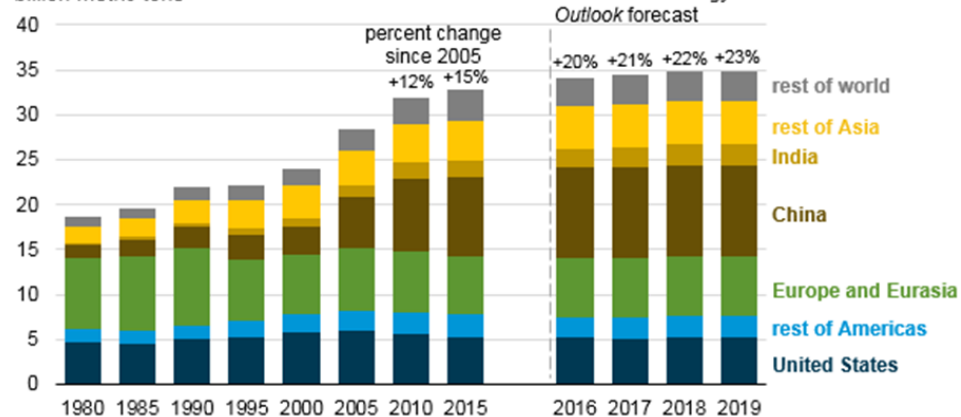
million metric tons



Source: U.S. Energy Information Administration, *Monthly Energy Review*, *Short-Term Energy Outlook*

Global energy-related carbon dioxide emissions (1980-2019)

billion metric tons



Source: U.S. Energy Information Administration, *International Energy Statistics*, *International Energy Outlook*, and *Short-Term Energy Outlook*

Compliance and Enforcement - Oil and Gas



United States
Environmental Protection
Agency

Office of Enforcement and
Compliance Assurance

Compliance Alert

September 2015

EPA Observes Air Emissions from Controlled Storage Vessels at Onshore Oil and Natural Gas Production Facilities

- EPA used infrared cameras to observe emissions from storage vessels at oil and gas production facilities
- Reasons for emissions ...
 - Inadequate design and sizing of vapor control systems, and
 - Inadequate vapor control system operation and maintenance
- EPA suggested several options/practices to minimize emissions, such as ...
 - Reduce liquid pressure prior to transfer
 - Increase capacity of control devices
 - Properly maintain PRV
 - Use properly sized, compatible gaskets in vents and thief hatches

Compliance and Enforcement - Oil and Gas

National Enforcement Initiative (2017 – 2019) – begun in October, 2016

Air

- [Reducing Air Pollution from the Largest Sources](#)
- [Cutting Hazardous Air Pollutants](#) (Expanded initiative for FY17-19)

Energy Extraction

- [Ensuring Energy Extraction Activities Comply with Environmental Laws](#)

Hazardous Chemicals

- [Reducing Pollution from Mineral Processing Operations](#) (Returning to base program level in FY17)
- [Reducing Risks of Accidental Releases at Industrial and Chemical Facilities](#)
(New initiative for FY17-19)

Water

- [Keeping Raw Sewage and Contaminated Stormwater Out of Our Nation's Waters](#)
- [Preventing Animal Waste from Contaminating Surface and Ground Water](#)
- [Keeping Industrial Pollutants Out of the Nation's Waters](#) (New initiative for FY17-19)

- Ensuring Energy Extraction Activities Comply with Environmental Laws
 - Need to assure that energy sources are developed in an environmentally protective manner
 - Some techniques for NG extraction pose a significant risk to public health and environment
 - Continue to address pollution through greater use of ...
 - Advanced pollution monitoring
 - Reporting techniques
 - Next Generation technologies (infrared cameras to make the 'invisible visible')

Compliance and Enforcement - Oil and Gas

March 15, 2018

Draft Document

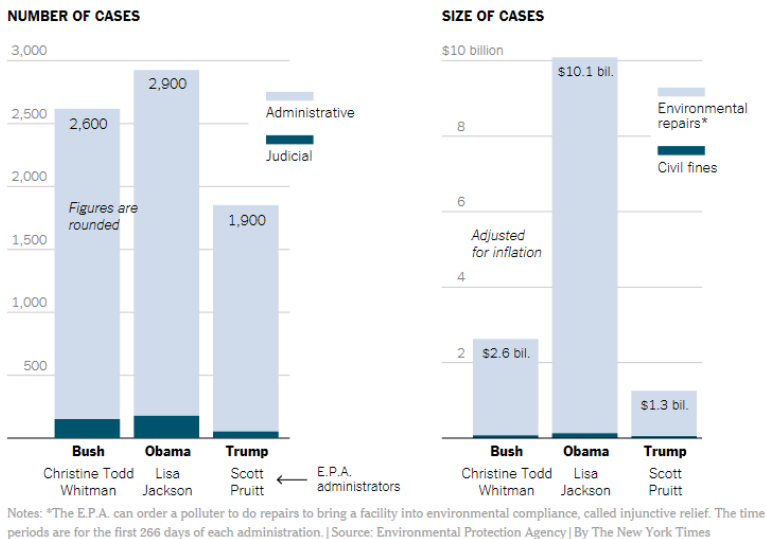
Oil and Natural Gas Roundtable Highlights

2. Office of Enforcement and Compliance Assurance (OECA) – EPA is working to foster compliance and correct non-compliance. OECA's Air Enforcement Division (AED) is working on an oil and natural gas sector initiative to streamline auditing and self-disclosures for new owners. AED is developing a template for more routine and regular disclosure of violations with an initial focus on storage tank emission control systems. AED welcomes engagement with states, industry and eNGOs and anticipates launching this effort in the next two to three months.
 - Takeaways ...
 - Working to streamline audits and self-disclosure for new owners
 - Preparing a disclosure template

Compliance and Enforcement - General

- Sessions Memorandum, June 5, 2017
 - Bans agreements that directs or provides for a payment to a non-governmental person or non-party
 - Several exceptions, including a payment that ...
 - Directly remediates the harm sought to be redressed, such as harm to the environment
- Wood Memorandum, January 9, 2018
 - Applies to DOJ's Environment and Natural Resources Division
 - Payment must meet one of the Sessions Memo exceptions, or be advance approval obtained
 - Specifically states that a defendant may undertake a SEP related to the violation
 - Must be consistent with SEP Policy, "which already expressly prohibits all third-party payments"
 - EPA SEP Policy (May, 2015):
 - Defendant may not simply provide funds to a third-party implementer/recipient
 - EPA cannot pick third-party and defendant remains responsible for SEP but ...
 - Can use third-party contractors to assist with implementation of a SEP
 - Discusses "third-party recipients"
- Sessions Memorandum, November 16, 2017 and DOJ Memorandum, January 25, 2018
 - Prohibits Department from issuing guidance documents "that purport to create rights or obligations binding on person or entities outside the Executive Branch"
 - In civil enforcement, the DOJ "may not use its enforcement authority to effectively convert agency guidance documents into binding rules"
 - In civil enforcement, the DOJ "may not use noncompliance with guidance documents as a basis for proving violations of applicable law"

Compliance and Enforcement - General



Civil Enforcement and Compliance Activities

| Activities | Results |
|--|---------|
| Referrals of Civil Judicial Enforcement Cases to Department of Justice (DOJ) | 110 |
| Supplemental Referrals of Civil Judicial Enforcement Cases to DOJ | 5 |
| Civil Judicial Complaints Filed with Court | 80 |
| Civil Judicial Enforcement Case Conclusions | 100 |
| Administrative Penalty Order Complaints | 1,220 |
| Final Administrative Penalty Orders | 1,260 |
| Administrative Compliance Orders | 600 |
| Cases with Supplemental Environmental Projects | 90 |
| Inspections/Evaluations | 11,750 |
| Civil Investigations | 40 |

-For FY 2017, which ended in September, 2017

-EPA: “enforcement actions are strategic to maximize compliance results, not the number of individual actions.”

-Focus enforcement “on returning facilities to compliance” by reducing the time between the identification of a violation and its correction

-EPA will “capture all the enforcement and compliance assistance work the Agency undertakes by tracking informal, as well as formal, enforcement and compliance actions and support to states”

Questions?

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