



# THE TIPRO TARGET



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## In the final days of session, Texas legislators act on important reforms in response to February's historic winter storm

After February's arctic blast and extreme cold weather snap, much of Texas' 87<sup>th</sup> Regular Legislative Session has focused on legislative reforms aimed at strengthening the state's electric grid, preparing infrastructure for weather emergencies and improving communication and coordination between authorities responding to weather-related disasters. Members of the Texas Senate and House of Representatives have worked for months at the state capitol in Austin to advance solutions that will address challenges that were experienced during Winter Storm Uri, and after much debate, are finally pushing policies across the finish line with only days to go in the regular legislative session.

One such bill that has seen movement is Senate Bill 3, already approved earlier in the legislative session by the legislature's upper chamber, that would require gas facilities and electric generation facilities to weatherize. A committee substitute for Senate Bill 3, authored by House State Affairs Chairman Chris Paddie (R-Marshall), was passed by the House on Monday, May 24. Chairman Paddie's substituted version of Senate Bill 3 would require the weatherization of electric generation facilities and only those gas facilities directly tied to electric generation. The bill was also subject to 30 proposed amendments in the House, of which 14 were amended to the bill. Changes in the bill resulted in the legislation being sent back to the Senate this week for final approval. The Senate is expected to not concur with the House changes and instead reconcile differences between the Senate and House versions of this bill in a conference committee.

"The Texas House and Senate have worked collaboratively on this bill, which is one of the most consequential pieces of legislation the state has tackled in recent memory," Speaker of the Texas House Dade Phelan (R-Beaumont) remarked earlier this week. "This legislation will better ensure the reliability of our electricity market and make our grid more resilient in the face of extreme weather emergencies."

TIPRO praised legislators for reaching an agreement on comprehensive legislation that takes important steps forward in making the energy grid more resilient and will help state leaders respond quickly when an emergency is imminent. "We applaud the tireless efforts of our state legislators to provide meaningful reforms to ensure that our state is prepared for the next extreme weather event," commented TIPRO President Ed Longanecker. "TIPRO supports Chairman Chris Paddie's House version of Senate Bill 3 that directly addresses those challenges, without placing unnecessary burden on natural gas producers that are not tied to power generation. This is particularly relevant to operators of the thousands of marginal wells in the state, which would become uneconomic if producers were forced to weatherize wells and facilities, resulting in a decline in production, royalty income, jobs and severance tax revenue."



## Announcing TIPRO's new issue of *Upstream Texas* magazine

The Summer 2021 edition of the *Upstream Texas* publication is now available! *Upstream Texas*, the official bi-annual magazine of the Texas Independent Producers & Royalty Owners Association, features insights into the opportunities and challenges currently facing the Texas oil and natural gas industry, as well as profiles key industry players and regulators.



Inside TIPRO's new Summer magazine, TIPRO looks back at the legacy of the association 75 years after TIPRO's establishment by H.J. (Jack) Porter and Glenn McCarthy in 1946. Learn about conditions and geopolitical events that led to the association's founding, the multi-generational legacy of association leaders and future aspirations for the organization.

TIPRO also provides further examination of February's historic arctic blast from Winter Storm Uri in *Upstream Texas*. Analysis compiled by Texans for Natural Gas, a TIPRO campaign, details energy patterns as they happened during the weather event, showing the importance of natural gas to meeting energy needs in the midst of the winter emergency, and discussing a multitude of solutions that will be required to ensure the state is better prepared for severe weather systems in the future.

TIPRO is also pleased to profile top officials and industry leaders in this edition of *Upstream Texas*, including Texas Governor Greg Abbott, Railroad Commissioner Jim Wright and Killam Oil's Cliffe Killam.

To access the Summer 2021 edition of *Upstream Texas* online, please visit <https://bit.ly/2QSUUdu> and watch for your copy of the magazine to arrive in your mailbox in the coming days.

## President's message

TIPRO members,

As the state legislature enters its final days of the regular 87<sup>th</sup> Legislative Session, numerous oil and natural gas-related bills have advanced to Governor Greg Abbott's desk, while others failed to gain the necessary support, which in some cases is a good thing. This session, as with all others, our dedicated government affairs team has kept a close eye on policy proposals that could impact independent producers and royalty owners in our state. Throughout the legislative cycle, our association tracked more than 300 bills and took formal positions on 62 pieces of legislation.

This past week, TIPRO was pleased to see the governor sign off on multiple bills of relevance to our industry, including House Bill 17 and Senate Bill 1259. House Bill 17, a priority bill for TIPRO this session, amends the Utilities Code to prevent Texas cities and towns from banning natural gas hookups or incentivizing a particular type of utility connection in new construction. The bill, which will allow Texans the opportunity to decide how to meet their own energy needs, went into effect immediately following the governor's approval on May 18, 2021. Senate Bill 1259 relates to causes of action for withholding payments of the proceeds from the sale of oil and gas production. This legislation was hotly debated over the past two legislative cycles and TIPRO worked closely with producers and royalty owner groups this year to reach a consensus on language.

Other priority bills awaiting action by the governor include Senate Bill 1258, House Bill 1284 and House Bill 2730. Senate Bill 1258 relates to the duty of a lessee or other agent in control of certain state land to drill an offset well, and House 1284 addresses the regulation of the injection and geologic storage of carbon dioxide in this state. House Bill 2730 deals with the acquisition of real property by an entity with eminent domain authority and the regulation of easement or right-of-way agents, which passed out of the Texas Senate late last night and will soon head to the governor. This bill is a result of six years of negotiations between landowner groups and a broad coalition of associations, including TIPRO.

Preventing bad policies that could impede the development of oil and natural gas in Texas is also a key area of focus for TIPRO. Our organization was instrumental in successfully opposing numerous bills this session, including House Bill 1820, which related to the regulation, monitoring, and enforcement of matters under the jurisdiction of the Texas Commission on Environmental Quality (TCEQ), and would have authorized an excessive increase in civil and administrative penalties. House Bill 1820 would have discouraged industrial economic investment in Texas, driving away potential businesses to other states due to overly burdensome penalties. The TCEQ already has the authority to adjust penalties for bad actors in a more targeted manner, without unnecessarily increasing the burden on good actors that are diligently trying to comply with environmental regulations. In the coming weeks, TIPRO will publish our association's *End-of-Session Report*, which will highlight TIPRO's comprehensive work this session on behalf of our members and the Texas oil and natural gas industry.

While legislative business at the capitol comes to a close, the governor last week advised lawmakers that he intends on calling a special legislative session in the Fall, so that officials can tackle the allocation of billions of dollars in federal coronavirus relief funds. During the expected special session, legislators will also take up redistricting and determine new Congressional and legislative districts in Texas. Texas Lieutenant Governor Dan Patrick meanwhile is said to be making a push for a special session this June to allow lawmakers more time to pass conservative legislation related to several Senate priorities. Governor Abbott, however, has been quick to respond back to such demands for a special session this summer, telling members from both legislative chambers that there is still time for the House and Senate to work together on critical legislation, and members need to spend every minute of every day to accomplish that mission before he considers calling legislators to take up additional legislative work in a special session.

To celebrate the conclusion of this year's Regular Legislative Session, I hope you will be able to join TIPRO for our association's 2021 Energy Sine Die Reception, taking place this coming Monday, May 31<sup>st</sup> from 4:30 p.m. - 7 p.m. in Austin at the Capitol Center Lobby Building, located at 919 Congress Avenue. This event is complimentary and exclusive to TIPRO members, legislative offices, the Railroad Commission and Texas Commission on Environmental Quality. Already, we have had high registration counts and interest from elected officials and their staff who are planning to participate. Please RSVP to Anjelica Torres by emailing [atorres@tipro.org](mailto:atorres@tipro.org) or by calling (512) 477-4452. A sincere thanks to our sponsoring members: Occidental Petroleum, Marathon Oil, Texas Royalty Council, Fasken Oil and Ranch, Chevron and Pioneer Natural Resources. Thank you,

Ed Longanecker

## House resolution commemorating TIPRO's 75<sup>th</sup> anniversary passed by Texas legislature

In May, Texas Representative Charles "Doc" Anderson of Waco filed House Resolution 1311 commemorating the 75<sup>th</sup> anniversary of the Texas Independent Producers and Royalty Owners Association (TIPRO). The resolution, passed on Wednesday, May 26, acknowledges TIPRO's history, its importance to the legislature and industry, and congratulates the association on its 75<sup>th</sup> anniversary. "For three-quarters of a century, TIPRO has been a champion for the independent producers and royalty owners of the Lone Star State's oil and gas industry, and its members may indeed take pride in its many achievements as they mark this impressive milestone in the association's history; now, therefore, be it resolved, that the House of Representatives of the 87<sup>th</sup> Texas Legislature hereby commemorate the 75<sup>th</sup> anniversary of TIPRO and extend to its members and staff sincere best wishes for continued success," reads the resolution. To view House Resolution 1311 in its entirety, please see: <https://bit.ly/3fR9zy8>.

### TIPRO CALENDAR OF EVENTS

**MAY 31, 2021**

AUSTIN — TIPRO

Sine Die Legislative Reception.

For information, please email

[rpaylor@tipro.org](mailto:rpaylor@tipro.org).

**AUGUST 17, 2021**

HOUSTON — IPAA/TIPRO/HPF

Leaders in Industry Luncheon.

For information, please email

[adoremus@ipaa.org](mailto:adoremus@ipaa.org).

**SEPTEMBER 1-2, 2021**

SAN ANTONIO — TIPRO's

Summer Conference.

For information, please email

[info@tipro.org](mailto:info@tipro.org).

## Texas Secretary of State leaving office at month's end

Ruth Ruggero Hughs, Texas' 113<sup>th</sup> secretary of state, notified Governor Greg Abbott on Friday, May 21<sup>st</sup> of her departure from office, effective Monday, May 31. After being appointed to the role by Governor Abbott in 2019, Hughs has spent nearly two years managing Texas' repository for official, business and commercial records that are required to be filed with the office of the secretary of state. In the position, Hughs also has been fulfilling duties as Texas' chief election officer, ensuring the uniform application and interpretation of election laws throughout Texas. Executing a major election last year amidst the outbreak of the coronavirus (COVID-19) pandemic presented significant challenges for Secretary Hughs as the state's top election official, though with her oversight, the state was successful in conducting a smooth and secure election season in spite of pandemic conditions. Secretary Hughs has in her role also helped to strengthen international relationships and lead border initiatives on behalf of the state of Texas, facilitating coordination and communication among local officials, state agencies, and the federal governments of the United States, Mexico, and Canada. She has led as the chair of the Border Trade Advisory Committee, which works to identify and address key border trade transportation challenges facing Texas.

Hughs' announcement to step down as secretary of state comes after the Senate Nominations Committee never took up her nomination during this year's legislative session, and consequently left the state Senate without means to confirm Hughs' appointment from the governor, requiring her to vacate the post at the end of the legislative cycle.

"Throughout her time as secretary of state, Ruth has been a faithful servant to the people of Texas, and I thank her for her commitment to our state," remarked Governor Abbott. "Ruth's exceptional leadership has helped strengthen the Texas brand on the international stage and grow our businesses and trade relationships around the world. Ruth also served as a trustworthy steward of our elections. I am grateful for our collaboration over the past few years to build an even brighter future for the Lone Star State, and I wish her nothing but the best on her future endeavors."

Prior to her nomination by the governor for secretary of state, Hughs was the head of the Texas Workforce Commission (TWC), serving as chair and commissioner representing employers at the TWC. Earlier in her career, she also previously served at the office of the Texas Attorney General as the director of defense litigation, where she was responsible for the successful management and oversight of the civil litigation divisions representing agencies across the state.

Reflecting on her tenure as secretary of state, Hughs expressed her deep appreciation and gratitude to the governor for entrusting her with the duties of the office and also reaffirmed her confidence that Texas is well positioned for even greater success in the future. In her resignation letter to the governor, Hughs indicated that she felt now was the right time for her to transition and turn her attention to private practice. "During the course of my tenure, I have been humbled to work alongside so many others in improving the lives of all Texans through fostering and strengthening our international relationships, facilitating business growth and trade, overseeing the conduct of our elections, and promoting civic participation. I am proud of the work that this office has accomplished, and by working collaboratively, we have helped to build a brighter future for all Texans," Hughs said in a statement last Friday.

Governor Abbott is expected to soon nominate a successor to serve as Texas' 114<sup>th</sup> Secretary of State and fill the vacancy in the secretary of state's office.

## Unemployment in Texas falls to lowest levels since onset of COVID-19 pandemic

As the state economy continues to recover from the depths of the coronavirus (COVID-19) pandemic, employment levels in Texas also appear to be rebounding and are trending upwards. New data released by the Texas Workforce Commission (TWC) shows that 13,000 jobs were added across the Lone Star State in April, allowing Texas' unemployment rate to fall to 6.7 percent last month, which is down from 6.9 percent recorded by the TWC in March. This also represents the lowest unemployment levels seen since the onset of the COVID-19 outbreak, when Texas' unemployment rate last April was a record 12.9 percent.

"The decrease in the unemployment rate in Texas shows continued strength of our economy," observed TWC Chairman Bryan Daniel.

According to the TWC, Texas added more than a million jobs over the past year since shedding 1.4 million jobs in March and April 2020 as a result of the COVID-19 pandemic and mitigation efforts followed to slow community spread of the virus. Job gains continue across most business sectors, including the state's oil and gas industry that has seen thousands of jobs return in recent months.

"Texas employers continue to show resilience and perseverance and are excited about getting Texans back to work," said TWC Commissioner Representing Employers Aaron Demerson.

Near the oilpatch in West Texas, local unemployment levels in Midland hovered near 6.8 percent, an improvement from the 7.1 percent in March, TWC data showed. In Houston, unemployment rates were slightly higher, at 7.1 percent in April, which was 8.0 percent the month prior.

"This month continues to show job growth and career opportunities for Texans as the economy strengthens," said TWC Commissioner Representing Labor Julian Alvarez.

Employment estimates released by TWC are produced in cooperation with the U.S. Department of Labor's Bureau of Labor Statistics (BLS). TIPRO members interested in viewing more employment data and information on the labor market may visit [TexasLMI.com](https://TexasLMI.com).

## Texas Railroad Commissioner Wayne Christian defends America's energy security

One of Texas' top oil regulators this month led efforts of the Interstate Oil and Gas Compact Commission, referred to as IOGCC, to push back against actions from the federal government that threaten to stifle fossil fuel development by the oil and natural gas industry. Wayne Christian, commissioner of the Railroad Commission of Texas, authored three formal resolutions passed by the IOGCC on May 18<sup>th</sup> at the IOGCC's 2021 Annual Business Meeting, which collectively seek to protect states' rights, ensure America's energy security and encourage technological innovation in the oil and gas industry. Christian, who is currently serving as the vice-chairman of IOGCC, was first appointed to the commission in 2017 by Texas Governor Greg Abbott as the state's official representative. The IOGCC is one of the oldest and largest interstate compacts in the nation, formed more than 80 years ago when several states joined together to resolve common issues affecting the industry without federal intervention. Membership currently consists of regulators and officials from 31 oil-producing states.

At this year's IOGCC meeting, Christian was the author of three out of the four resolutions that passed. Christian's resolutions take a firm position defending the oil and gas industry, hoping to address some of the energy industry's primary challenges tied to unjustified political attacks, including challenges stemming from policies that relate to the Green New Deal and the Environmental, Social and Governance (ESG) investment movement.

Resolutions authored by Christian that were approved by the IOGCC include:

• **Resolution 21.052 - Opposition to the CLEAN Future Act:** This resolution, co-sponsored by Texas and North Dakota, asks the Biden Administration and Congress to oppose the CLEAN Future Act and other similar pieces of legislation on behalf of oil and gas producing states.

"The so-called CLEAN Future Act is nothing more than the Green New Deal in lipstick," said Christian. "This legislation would effectively federalize regulation of oil and gas, increasing costs to consumers and our national debt, while harming our energy independence and national security."

• **Resolution 21.054 - Reigning in ESG-style Investing:** This resolution asks the federal government to formulate and enforce regulations relating to ESG. This style of investing has been utilized by activists to force divestment in oil and gas without regard to the rate of return for beneficiaries.

"We cannot allow activist investors to harm the investment and retirement portfolios of our constituents as collateral damage in their war against fossil fuels," emphasized Christian. "If ESG is not put in check, not only will future retirees face challenges in the years ahead, but we could see record bankruptcies and layoffs in the energy sector."

• **Resolution 21.055 - Encouraging Carbon Capture and Technological Innovation:** This resolution acknowledges the key role technological innovation, including carbon capture, has played in our nation's environmental progress and encourages the federal government to act in a bipartisan manner to continue encouraging this progress.

"A clean environment and oil and gas production are not mutually exclusive," stated Christian. "Because of technological innovation, over the last fifty years, our nation has decreased the six major pollutants by 77 percent while our energy consumption grew 48 percent, population grew 60 percent, and economy grew 285 percent. The key to environmental progress is innovation, not punitive regulations."

## President Biden signs new order on financial risk of climate change

Building on earlier executive actions to address the global climate crisis, U.S. President Joe Biden signed a new executive order on Thursday, May 20<sup>th</sup> that will compel leaders of the federal government to measure fiscal risks of climate change to federal assets and tax revenue. The president's new directive seeks to inform concrete decisions by the federal government in the future that will safeguard the financial security of American businesses and workers from climate change and address the threat of climate change to the economy, according to a White House fact sheet.

The order specifically will require Treasury Secretary Janet Yellen in her role as chair of the Financial Stability Oversight Council (FSOC) to work with council members to assess climate-related financial risk to the stability of the federal government and the stability of the entire U.S. financial system. Under guidelines of the executive order, Secretary Yellen is to deliver a report later this year to the president on actions the FSOC recommends to reduce risks to financial stability, including plans that member agencies are taking to improve climate-related disclosures and other sources of data and ways to incorporate climate-related financial risk into regulatory and supervisory practices.

Secretary Yellen described the executive order as crucial to coordinating regulatory efforts to assess climate-related financial risks and risks to financial stability. "As chairperson of the FSOC, I am prioritizing this work," she asserted last week. Secretary Yellen noted that to meet goals of tallying climate-related financial risks, financial regulators, financial institutions, and investors need to have access to the best information and data, signaling an interest on working to improve climate-related financial disclosures and other sources of data that will better measure potential exposures.

As part of his broad executive order, President Biden has also instructed the director of the National Economic Council (NEC) and the national climate advisor to compile a separate report offering a comprehensive, government-wide strategy to mitigate climate-related financial risk to government programs, assets and liabilities. The White House says that this strategy should identify the public and private financing needed to reach economy-wide net-zero emissions by 2050, while advancing economic opportunity, worker empowerment, and environmental mitigation, especially in disadvantaged communities and communities of color.

Under the executive order from President Biden, federal regulators will also have to consider new requirements for major federal suppliers to disclose greenhouse gas emissions and climate-related financial risks and to ensure that major federal agency procurements minimize those risks. Finally, the executive order on climate-related financial risk directs the U.S. Labor Secretary to consider suspending, revising, or rescinding any rules from the prior administration that would have barred investment firms from considering environmental, social and governance (ESG) actors, including climate-related risks, in their investment decisions related to workers' pensions.

## EPA seeks stakeholder input on upcoming oil and natural gas methane rule

As the U.S. Environmental Protection Agency (EPA) works on proposed regulations that will toughen methane emission standards for the oil and natural gas industry, stakeholder input is being sought by regulators. In mid-May, the agency announced it will begin efforts to rework regulations by undertaking broad public outreach that it says will include listening sessions and opening up a public docket for the submission of comments.

"As we move forward to reduce pollution from oil and gas operations, it is vitally important to hear from all stakeholders, including those from impacted communities and industry," commented EPA Administrator Michael S. Regan. "This process enables EPA to engage with communities that have historically borne a disproportionate burden from pollution so that we can ensure those voices are reflected in our policymaking."

The EPA plans to hold virtual public listening sessions from noon to 9 p.m. eastern time on June 15, 16, and 17, 2021. During the three sessions, members of the public will have the chance to provide their views on the oil and natural gas industry and upcoming regulations for oil and natural gas. According to the EPA, each day of the listening sessions will focus on different stakeholder groups, though participants are welcome to engage in the sessions on any of the days that is most convenient for the individual. Please note the following schedule for stakeholder groups presenting during the sessions:

- Tuesday, June 15, 2021: Focus on Industry and Non-Governmental Organizations
- Wednesday, June 16, 2021: Focus on Communities, Environmental Justice Stakeholders and Tribes
- Thursday, June 17, 2021: Focus on States, Local Governments and Small Businesses

Those interested in speaking during the EPA's public listening sessions are asked to register in advance by visiting the link that follows: <https://bit.ly/3oPkGvz>. Please note that the deadline to register to speak is Wednesday, June 9, 2021. Otherwise, the EPA plans to make these listening sessions available on the Web for people who wish to listen only. A phone number will also be available for anyone wishing to listen using their phone.

Meanwhile, the agency also has opened a non-rulemaking docket for people who wish to provide their input and perspectives in writing. To submit your input to the EPA online, visit <https://www.regulations.gov/>. Identify your comments by Docket ID No. EPA-HQ-OAR-2021-0295. For more information on submitting information to EPA dockets, visit <https://bit.ly/3yzZezg>. Please note this is not the docket for the proposed oil and gas methane rulemaking. The EPA will open a separate regulatory docket when it issues its regulatory proposal in September.

For information on submitting input to the docket, or to register to attend a training or listening session, visit <https://bit.ly/34eJnbB>. EPA will post additional outreach opportunities to this website as they are scheduled.

Further, as part of the EPA's broad outreach to engage stakeholders while the agency works to develop proposed rules to reduce methane from new and existing sources in the oil and natural gas industry, small businesses are invited to serve as Small Entity Representatives (SERs) to a possible Small Business Advocacy Review (SBAR) panel, should one be required in the rulemaking process. EPA seeks self-nominations directly from the small entities for this opportunity — more information can be found at <https://bit.ly/2TgZdAa>.

## EPA rescinds Trump-era rulemaking opening public access to agency guidance documents

In accordance with Executive Order 13992 signed by President Joe Biden, the U.S. Environmental Protection Agency (EPA) says it has revoked an October 2020 rule that established procedures for issuing, modifying, withdrawing and using guidance documents. The rule, set by regulators under the Trump Administration, had been crafted to enhance transparency and codify procedures to ensure the public can engage in the development and review of agency guidance. The EPA historically has issued many more guidance documents than most other federal agencies, though under the Trump Administration the agency worked proactively to create more accountability in its guidance process and ensure that guidance documents were utilized to clarify existing obligations and not otherwise serve as a vehicle for implementing new, binding requirements on the public.

Guidance documents often have been used by government entities and regulatory bodies to explain how government rules are to be interpreted, clarify existing policies, inform stakeholders and decipher statutory priorities and initiatives. Guidance documents are not legally binding and lack the force and effect of law, though do often extend a strong influence over the implementation and enforcement of regulations.

Under the leadership of the new Biden Administration, officials contend that the EPA will continue to promote public transparency and involvement of stakeholders and partners in the development of all agency actions. The EPA indicates it will still follow its prior practice of soliciting stakeholder input on guidance of significant stakeholder and public interest, as appropriate. Stakeholders may also submit a request to the EPA at any time to issue, amend or repeal EPA guidance, and the EPA will continue to make agency guidance available to the public. Despite this rule rescission, guidance continues to be non-binding and does not have the force and effect of law, confirms EPA officials.

While efforts will remain in place to extend public involvement and the EPA will comply with all statutory obligations pertaining to posting documents for public accessibility, the EPA is now issuing a final rule to rescind the regulation in keeping with President Biden's Executive Order 13992, "Revocation of Certain Executive Orders Concerning Federal Regulation." The EPA states that after consideration and review, the agency has concluded that the internal rule on guidance deprives the EPA of necessary flexibility in determining when and how best to issue public guidance based on particular facts and circumstances, and unduly restricts the EPA's ability to provide timely guidance on which the public can confidently rely.

"By rescinding the internal rule on guidance, EPA will restore the flexibilities needed to effectively address urgent public health, safety, and environmental challenges, so we can effectively deliver on our mission," said EPA Administrator Michael S. Regan.

As of May 18, 2021, this final action by the EPA is now effective. More information is available on the EPA website at: <https://epa.gov/guidance>.

## Biden Administration scraps Benefit-Cost rule finalized by the EPA last December

The U.S. Environmental Protection Agency (EPA) in May announced this summer it will rescind the final rule entitled "Increasing Consistency and Transparency in Considering Benefits and Costs in the Clean Air Act Rulemaking Process." Referred to as the agency's "Benefit-Cost" rulemaking, the regulation was promulgated by the federal government at the end of 2020, in the last month of Donald Trump's presidency. After conducting a complete review of the rule, its procedural restrictions and requirements, the agency has now concluded that it would have limited EPA's ability to use the best available science in developing Clean Air Act (CAA) regulations, and would be inconsistent with economic best practices.

"EPA has critical authority under the CAA to protect the public from harmful air pollution, among other threats to our health. Revoking this unnecessary and misguided rule is proof positive of this administration's commitment to science," said EPA Administrator Michael S. Regan. "We will continue to fix the wrongs of the past and move forward aggressively to deliver on President Biden's clear commitment to protecting public health and the environment."

The EPA's reconsideration of the Benefit-Cost rule was a result of Executive Order 13990, signed by President Joe Biden in January directing the federal agency to review all regulations and policies undertaken by the previous administration and rescind or revise any that do not protect public health and the environment.

Before the rule reversal becomes effective on June 14, 2021, the EPA is accepting public comment on this action. The EPA indicates that it intends to later put forth a final rule that responds to comments received during the public comment period, if any, and reflects any accompanying changes to the agency's approach. For more on the rescission of the Benefit-Cost Rule, and how to comment, TIPRO members are encouraged to visit <https://bit.ly/2QOUQv8>.

## TIPRO opposes bill to eliminate percentage depletion and Intangible Drilling Costs deductions

Members of the U.S. Senate Committee on Finance convened for an open executive session on Wednesday, May 26<sup>th</sup> to consider legislation entitled, *The Clean Energy for America Act*. The bill, as introduced, aims to promote clean energy, while terminating longstanding tax policies for the U.S. oil and natural gas industry. Ahead of the Finance Committee's congressional hearing this week, TIPRO communicated its strong opposition to provisions in the *Clean Energy for America Act* relating to the elimination of percentage depletion and intangible drilling costs (IDCs) in the U.S. tax code. "The percentage depletion deduction has been a part of the U.S. tax code since 1926. All mineral natural resources are eligible for a percentage depletion

income tax deduction to reflect the decreasing value of the resource as it is produced. Percentage depletion allows independent producers to reinvest cash into the expenses of existing wells and redeploy capital to drill new wells," explained TIPRO President Ed Longanecker. "This deduction is highly limited and only applies to smaller independent producers and to royalty owners, not 'Big Oil.' Thousands of small domestic producers and more than 12.6 million royalty owners in the U.S. could be adversely impacted by the removal of the percentage depletion deduction, including retirees who heavily rely on royalty payments as part of their income needed to live. These taxpayers should not be penalized through politically-driven tax reforms that will result in the loss of these important American natural resource assets."

Longanecker also affirmed that IDCs have been a critical mechanism to attract capital for the high-risk business of exploring for, and developing, American oil and natural gas. The tax provision has been available since 1913, and should not be

considered a tax break, as the deduction of costs used by drillers is similar to cost-recovery provisions provided to every business sector.

See TIPRO's full letter to congressional leaders by visiting <https://bit.ly/2Th5cF8>.

***"Independent producers drill 90 percent of U.S. wells, produce over 80 percent of its natural gas and about 65 percent of its oil. Many of these businesses were severely hurt this last year by record low prices and experienced at least a short period of negative prices. Eliminating percentage depletion and IDCs would again reduce domestic supply, and thereby increase the nation's reliance on foreign oil and natural gas sources, kill thousands of American jobs, and raise costs for the American consumer."***  
-TIPRO President Ed Longanecker

## Energy companies back \$1.45 million offered in grants for conservation in Pecos Watershed

The National Fish and Wildlife Foundation (NFWF) announced in late May that \$1.45 million in grants have been awarded to support the conservation of ecosystems, wildlife habitat, rivers, streams and grasslands in the Pecos River Watershed and adjacent areas in Texas and New Mexico. Grant funds have been administered in coordination of the Pecos Watershed Conservation Initiative (PWCI), a strategic and innovative public-private partnership between the NFWF, federal agencies including the U.S. Bureau of Land Management (BLM) in New Mexico, the U.S. Fish and Wildlife Service (USFWS) and the U.S. Department of Agriculture's (UDA) Natural Resources Conservation Service (NRCS) in New Mexico and Texas, along with energy and agricultural companies. Several members of the Texas Independent Producers & Royalty Owners Association (TIPRO) are corporate partners of the initiative, including Apache Corporation, Chevron, ConocoPhillips, Marathon Oil, Occidental and XTO, an ExxonMobil subsidiary.

The PWCI, since its inception in 2017, has invested a total of \$6.49 million in 34 projects that target three priority strategies: habitat restoration and management of riparian and grassland systems; species intervention; and species information. In the latest round of grants awarded from the program, selected projects will help address key conservation opportunities, including grassland and riparian habitat restoration in the region that will directly benefit species of conservation concern.

In a joint statement, the corporate members of the initiative said: "Our people are on the ground every day in the Pecos, living and working, so it is essential that the initiative's investments provide real benefits to local communities, landscapes and wildlife. By strengthening the health of existing habitats along the Pecos River and its tributaries in eastern New Mexico and West Texas, by improving the management and function of native grasslands, and by protecting some of the last remaining populations of native fish and other aquatic species found only in the Chihuahuan Desert, we are achieving this goal."

More about the Pecos Watershed Conservation Initiative is available at: <https://bit.ly/3wBd6r0>.

## Texans for Natural Gas responds to recent IEA report

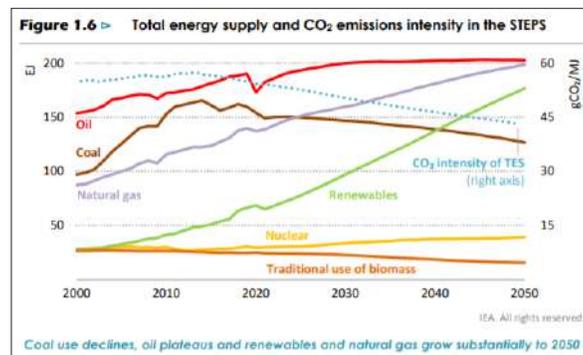
Earlier this month, the International Energy Agency (IEA) issued a report calling for no new investment in fossil fuel supply and provided a roadmap for reaching net-zero emissions by 2050. Texans for Natural Gas (TNG), an education campaign managed by the Texas Independent Producers & Royalty Owners Association (TIPRO), has conducted its own analysis of the report, including the following data and insight.

On Tuesday, May 18, the International Energy Agency (IEA) released a report detailing its “net-zero pathway.” The report covered hundreds of different steps the world could begin to take today to reach net-zero emissions by 2050. Most notably, the report outlined an extreme scenario for global oil and gas producers, which included no new investment in fossil fuel supply projects. As anti-fossil fuel voices have continued to highlight the recommendation, they have failed to take a closer look at the report, which in its entirety emphasizes the ongoing role oil and gas have to play in the global population’s everyday lives – even under the IEA’s net-zero pathway.

TNG details five key facts about Texas oil and gas to keep in mind when reading the IEA report:

### 1. The IEA report does not lay out the end of fossil fuels. Instead, it solidifies the importance of oil and natural gas to the world’s energy future.

In their report, the IEA reimagines its role in the world economy. Even in the IEA’s scenario to reach net-zero by 2050, fossil fuels will remain a critical part of the energy mix, making up about one-fifth of the global energy supply. The fundamental shift in the energy mix will not be the decline in oil and natural gas, but the steep increase in renewable energy.



The IEA reports that in its net-zero scenario, fossil fuels will also continue to be used in essential goods, like the creation of plastics, in facilities fitted with carbon capture technology.

### 2. In the IEA’s pathway to net-zero, methane emissions from fossil fuel supply will fall by 75 percent over the next ten years.

Oil and gas producers are already well underway to meeting this ambitious goal, continually investing, adapting and innovating to address methane emissions across operations. Their efforts are already showing returns. According to the World Bank’s most recent Global Gas Flaring Tracker Report, flaring in the United States fell by 32 percent from 2019 to 2020. In one of the world’s most prolific producing basins – the Permian - methane emissions intensity fell 77 percent between 2011 and 2019.

### 3. The IEA names direct air capture and storage as one of the “biggest innovation opportunities” to reach net-zero by 2050.

Oil and gas producers – particularly Texas energy producers – are some of the world’s leading investors in carbon capture and storage (CCS) technology. ExxonMobil alone has invested \$3 billion in low-carbon efforts focusing on CCS. Operators continue to undertake ambitious CCS projects - for example, in March, Houston-based liquefied natural gas (LNG) developer NextDecade announced the formation of its subsidiary NEXT Carbon Solutions, a CCS project tied to its Rio Grande LNG facility that aims to reduce the LNG terminal’s emissions by more than 90 percent.

### 4. The report notes the importance of ending global energy poverty by 2030.

The IEA writes that “providing electricity to around 785 million people that have no access and clean cooking solutions to 2.6 billion people that lack those options is an integral part of our pathway.” Natural gas will play a critical role in delivering needed cooking fuels and electricity to the hundreds of millions that currently suffer without them.

World leaders from countries that struggle with energy poverty – like India – have stated how natural gas will play a key role in their countries’ energy futures. During CERAWEEK this year, Indian Prime Minister Modi shared his goal of growing the share of natural gas in its fuel mix from 3 percent to 15 percent by 2030. Increased access to natural gas, which is clean-burning, reliable, and has significantly less carbon emissions than coal, could drastically improve the lives of those using other, more dangerous fuels in their everyday lives because they have no other option.

Former U.S. Energy Secretary Ernest Moniz aptly stated to the *Wall Street Journal*:

“Compared with the energy sources that many African countries are relying on today and may increasingly turn to tomorrow as their populations expand, a combination of natural gas and renewables is necessary for a brighter, greener future.”

### 5. Rapid emissions reductions will require natural gas.

For many countries, transitioning from coal to natural gas would result in a dramatic reduction in carbon emissions. American LNG exports provide an abundant supply of energy that can be easily transported all over the world. For example, China has become one of the world’s largest LNG importers as it aims to switch millions of homes and manufacturing facilities from coal to natural gas. Thanks in large part to natural gas, China - often named the world’s biggest emitter of greenhouse gases - has made significant progress in lowering carbon intensity. In the past five years, China reported it has cut carbon intensity by 18.8 percent.



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