



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)



2014 Election Results - Senate

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 potential 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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