

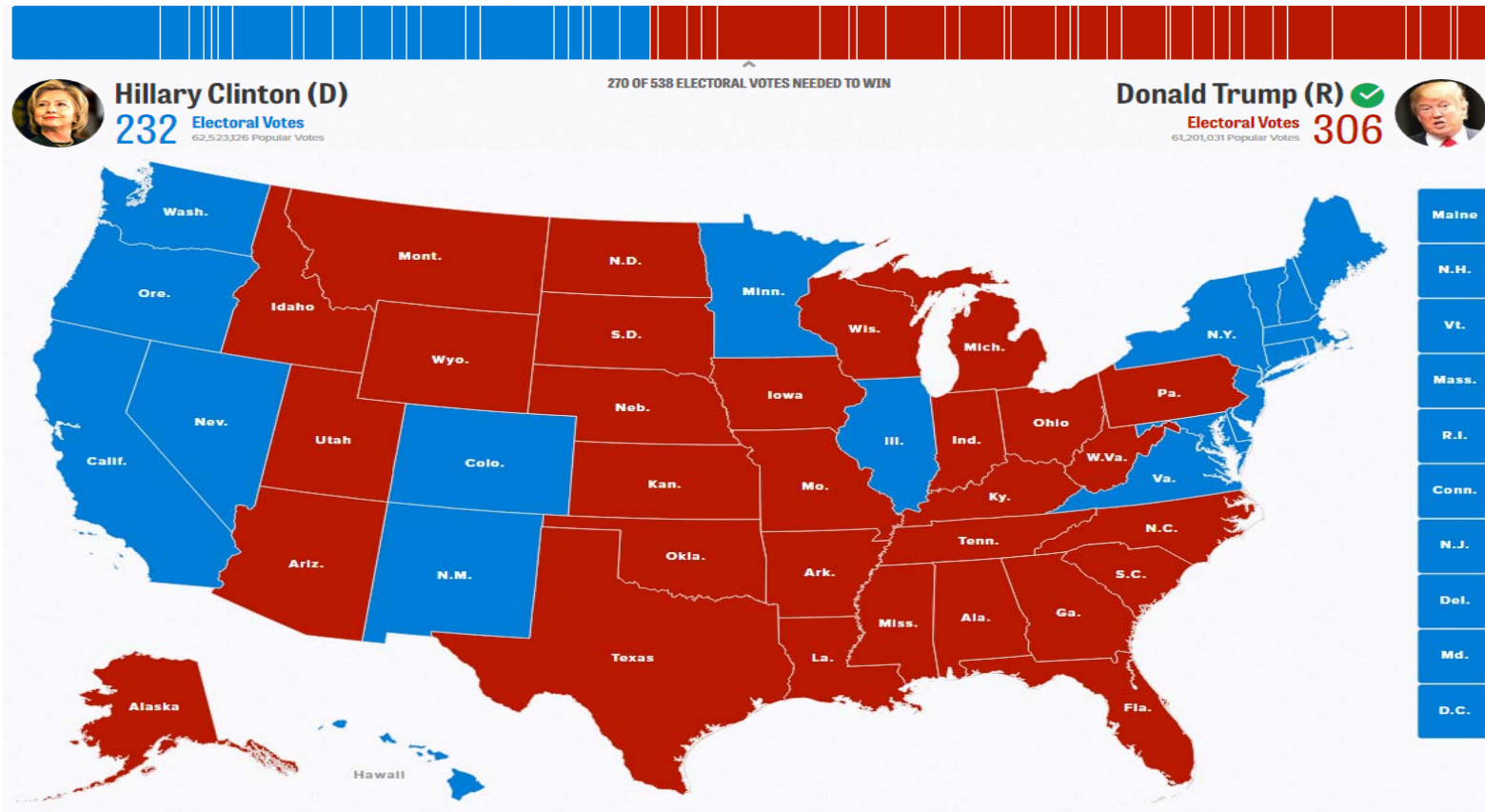


ENERGY AND
ENVIRONMENTAL POLICY –
WHAT TO EXPECT DURING
THE NEW ADMINISTRATION

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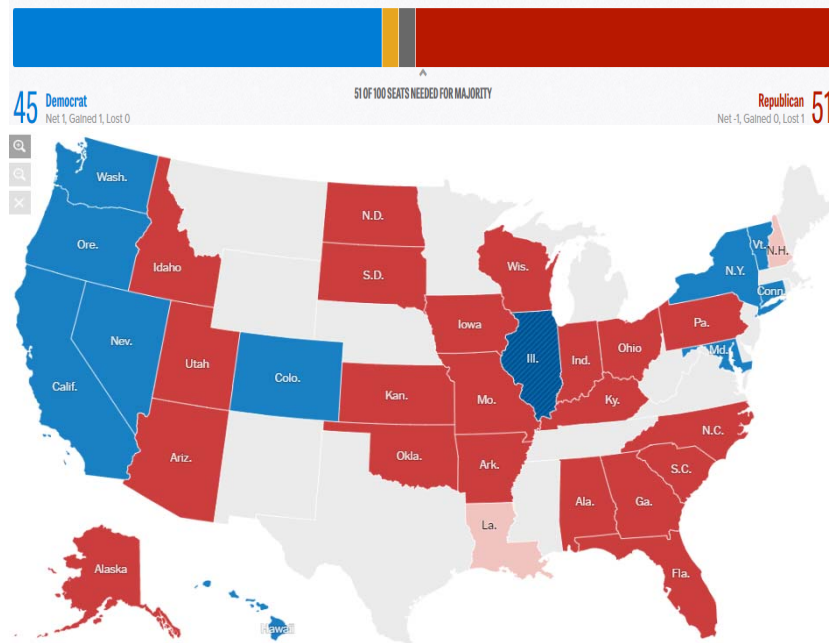
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DONALD TRUMP ELECTED 45TH PRESIDENT OF THE UNITED STATES



SENATE STAYS REPUBLICAN; GAINS POSSIBLE IN 2018 ELECTIONS

Current Senate Composition



2018 Senate Elections

- 33 of the 100 seats in the Senate are being contested
- Democrats have 23 seats up for election, along with 2 independents who caucus with the Democrats
- Republicans are expected to have 8 seats up for election.
- The Senate is expected to still be controlled by Republicans, who are likely to see small or modest gains

Republican Senators with Seats at Risk

- Flake (AZ)
- Heller (NV)

Democratic Senators with Seats at Risk

- Nelson (FL)
- Donnelly (IN)
- King (ME)(I)
- McCaskill (MO)
- Brown (OH)

THE HOUSE IS EXPECTED TO STAY RED IN 2018, BUT A WAVE ELECTION IN FAVOR OF DEMS IS STILL POSSIBLE

- While the possibility of the Democrats retaking the House in 2018 is unlikely, there may be a narrow path to victory in mainly affluent and well educated, traditionally Republican suburbs
- Well educated areas of the sun belt, particularly those that are home to significant Hispanic populations, would be the most viable path for the Democrats to gain the 24 seats needed to retake the House
- Across the country, the 50 most competitive Republican seats tend to be clustered in places like Orange County
- President Trump's support among even white voters with a college degree is low, the most reliable polls generally place it somewhere between 38 and 45 percent

PRESIDENT TRUMP'S AMERICA FIRST ENERGY PLAN

- Eliminating "harmful and unnecessary policies such as the Climate Action Plan and the Waters of the US rule," which would increase American wages by more than \$30 billion over the next seven years, according to the administration.
- Embracing US shale and gas and taking advantage of "the estimated \$50 trillion in untapped shale, oil, and natural gas reserves."
- Having a commitment to clean coal technology. States like West Virginia and Pennsylvania have been devastated by the collapse of the coal industry.
- Eliminating US dependence on "the OPEC cartel and any nations hostile to our interests." While the US has eliminated a good portion of its foreign dependence, it still imports 9.4 million barrels a day, according to 2015 data from the US Energy Information Administration.
- Protecting our environment.

STATEMENTS BY PRESIDENT TRUMP

- Press Secretary Sean Spicer on January 31, 2017: “Well I think the president's been very clear with respect to energy policy, that he wants to review *all of the options* that we have to use our natural resources to better the country in terms of wind power, solar, clean coal. We're in the process of reviewing all of our energy policies.”
- On climate, Donald Trump has made comments indicating a degree of skepticism towards manmade climate change.
- Trump's comment in North Dakota that he would “cancel the Paris Climate Agreement” is another front of the climate analysis of his energy policy.
 - It is important to remember that the Paris agreement was never submitted for ratification to the US Senate and is explicitly described by the current Administration as not being enforceable. Therefore, a Trump Administration would have a good deal of flexibility in dealing with the agreement - even though the US has made clear indications that Paris is part of US foreign policy upon which some measure of credibility rests.
- Federal leasing --- Trump supports increasing production on federal lands and opening up the “Alaska National Petroleum Reserve.” More broadly, he endeavors to tap the alleged \$50 trillion of remaining oil on federal lands.

TRUMP'S FIRST ACTION: REGULATORY FREEZE

- Trump signed a memorandum that placed a freeze on the publication of any new regulations until President Trump's nominees were confirmed by the Senate.
- Specifically, Trump ordered a temporary freeze and review of 30 EPA regulations that were issued between the time of the U.S. election and his inauguration.

TRUMP: 'KNOCK OUT TWO REGULATIONS FOR EVERY NEW REGULATION'

- President Trump signed an executive order requiring that for every new regulation, “at least two prior regulations be identified for elimination.” Rescinding regulations is likely to be more complicated than Trump’s “one in, two out” slogan suggests.
- The order contains two key principles: First, the “two-for-one” directive that for every new regulation issued, two existing regulations shall be repealed; and, second, a “regulatory budget” or “cost cap” concept directing that any new regulations issued in fiscal 2017 shall not result in additional incremental costs not offset by eliminating existing costs, unless otherwise required by law.
- On February 2, 2017, the Acting Administrator of OIRA issued a guidance document intended to help clarify President Trump’s January 30, 2017 Executive Order titled “Reducing Regulation and Controlling Regulatory Costs.”
- The Interim Guidance was issued by the Acting OIRA Administrator. It gives agencies substantial discretion over the implementation of the Order’s “two-for-one” requirement and sends a strong signal that OIRA will play close attention to regulatory cost cap and budgeting requirements.

TRUMP: EXECUTIVE REORGANIZATION ORDER

- President Trump signed an Executive Order requiring each federal agency to examine all of its programs to eliminate duplication and waste.
- The executive order gives President Trump's Office of Management and Budget Director Mick Mulvaney one year to come up with proposals to "eliminate unnecessary agencies," and to seek input from both agencies and the public
- The President does not have absolute to reorganize executive agencies, so the plan will need some backing from Congress for it to have the most substantial effect

EO ESTABLISHING REGULATORY REFORM TASK FORCES

- President Trump issued an executive order on February 24, 2017 directing federal agencies to establish “Regulatory Reform Task Forces” headed by “Regulatory Reform Officers” in all federal agencies. These officers and task forces are charged with carrying out President Trump’s earlier executive orders on regulatory reform and waste elimination
- The task forces are to conduct research on regulations that are overly burdensome and harmful to the US economy, and recommend such regulations for elimination
- The executive order also directs the task forces to “measure and report progress in achieving the president’s directives”
- While other presidents have chosen to focus on regulatory relief, this directive amounts to one of the most sweeping presidential attempts to deal with the problem of overly burdensome regulation

PIPELINE MEMORANDA

- **Keystone XL Pipeline Memorandum:** Invites TransCanada to “promptly resubmit its application” to construct the Keystone XL pipeline, and it orders the Secretary of State to make a decision within 60 days on the pipeline.
 - On March 9, 2017, Secretary of State Rex Tillerson recused himself from all matters related to the pipeline.
 - On March 24, 2017, it was announced that the Administration would issue a permit for Keystone.
- **Dakota Access Pipeline Memorandum:** Orders the Army to "review and approve in an expedited manner" the permit for the pipeline's construction.
 - On February 7, 2017, the Deputy Secretary for the Army signaled in a court filing its intention to grant an easement needed to complete the Dakota Access Pipeline.
- **American Steel Pipeline Memorandum:** Directs the Secretary of Commerce to review a potential mandate for the use of American-made steel in all new, expanded, or retrofitted pipeline projects.

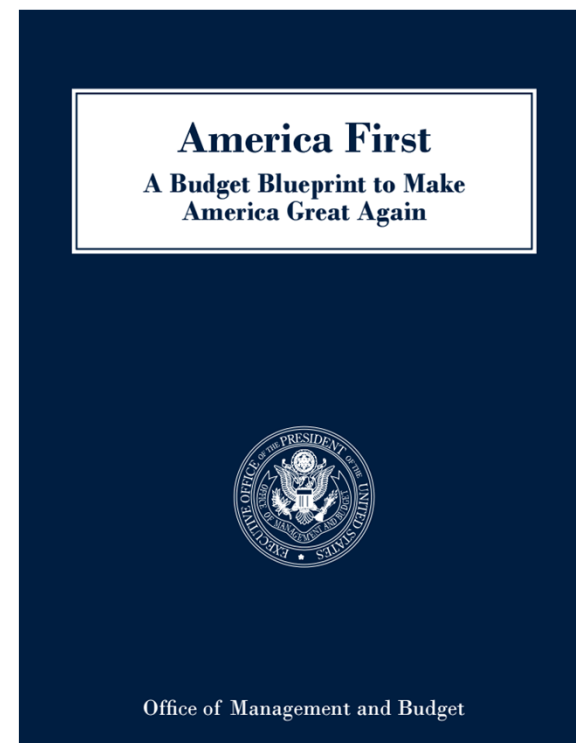
OTHER MEMORANDA

- Executive Order 13766 sets up a new system to fast-track infrastructure projects, where any governor or cabinet secretary can ask for a project to be designated as high-priority.
- Another memorandum requires that the Secretary of Commerce launch a review of manufacturing regulations where the Secretary of Commerce is required to seek input on the issue over the next 60 days and provide a report to President Trump containing specific proposals 60 days after that.

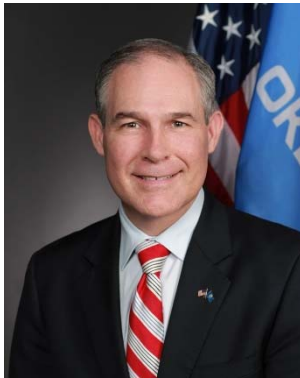


FY 2018 BUDGET OUTLINE

- On March 16, 2017, the President released his Budget Blueprint to Make America Great Again.
- The Budget, if enacted by Congress, would
 - Cut the EPA budget to \$5.7 Billion (a 31% cut);
 - Cut EPA's workforce by 20%;
 - Eliminate 50 programs (including Clean Power Plan, Energy Star, etc.);
 - Cut the DOE Budget by 5.6%; and
 - Cut all UN climate change programs and Global Climate Change initiatives



ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY (EPA)



Scott Pruitt
17th Attorney
General of
Oklahoma

- Pruitt is the former Attorney General of Oklahoma where he has served for six years.
 - He served as a state senator from 1998 through 2006.
 - He also ran for Oklahoma's 1st congressional district and for Lieutenant Governor.
- Confirmed by the Senate, 52 to 46.

SECRETARY OF THE DEPARTMENT OF ENERGY (DOE)



Rick Perry
47th Governor
of Texas

Highlights from Perry's state-level involvement with energy

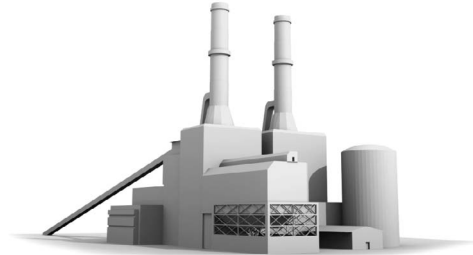


Radioactive waste

The Perry-appointed Texas Department of Environmental Quality approved a private low-level radioactive waste disposal site in West Texas, despite objections from TDEQ staff engineers and geologists, who warned that the waste could leak into the subsurface Ogallala Aquifer. The company, Waste Control Specialists, has since applied to the Nuclear Regulatory Commission for permission to store high-level radioactive spent fuel from other states at the site.

Sources: DOE, Nuclear Energy Institute, EIA, NRC, DSIRE, POLITICO staff reports, reports from The Texas Observer, Dallas Morning News, The Texas Tribune, Scientific American

By **Patterson Clark, POLITICO Pro**
DataPoint

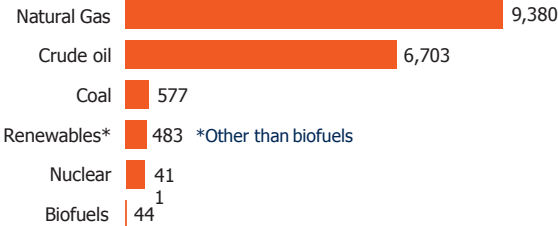


Fossil power

Perry fostered a low-tax, low-regulation business environment for energy development. A proponent of "clean coal," Perry attempted to expedite the building of new coal-fired power plants and has promoted liquid natural gas exports. Texas produces the most natural gas of any state, with plans for 3.2 gigawatts of new gas-fired capacity by 2018.

Texas energy production

IN TRILLIONS OF BTUs, 2014

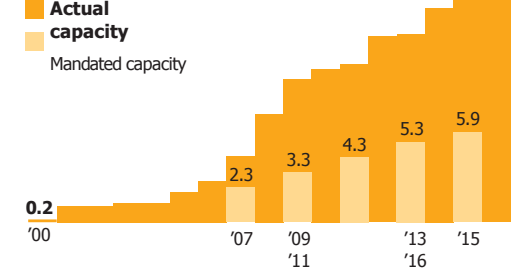


Wind power

Before Perry's first term, Texas set renewable energy targets, which have been surpassed. Perry supported a major grid expansion for wind power, which helped Texas become the nation's leading wind-power producer, generating about a quarter of the country's output.

Texas wind power capacity

IN THOUSANDS OF MEGAWATTS



SECRETARY OF THE DEPARTMENT OF THE INTERIOR (DOI)



Ryan Zinke
Former Montana
Representative

- Previously served as a Representative for the state of Montana
- Confirmed by the Senate, 68-31.
- "I think where there's debate on it is what that influence is and what we can do about it," Zinke said about climate change.
- Zinke has explained that he is a proponent of an "all of the above" energy policy, which includes allowing fossil fuels to be extracted from public lands.

OMB/OIRA HEADS



Mick Mulvaney
Former South
Carolina
Representative

- The President's choice of Rep. Mick Mulvaney (R-S.C.) to head OMB is a strong indication that the budget and cutting regulations will be strong priorities of his Administration.
- President Trump has yet to his pick to lead the Office of Management and Budget's Office of Information and Regulatory Affairs.
- Current frontrunners are Neomi Rao, a law professor at George Mason University, and Paul Noe, vice president for public policy at the American Forest & Paper Association.

PRESIDENT TRUMP'S ENERGY ADVISORS



Mike Cantanzaro

- Mike Cantanzaro was named as special assistant to the president for energy and environmental issues in the White House National Economic Council.



George David Banks

- George David Banks has taken on the White House international energy and environment portfolio in the National Security Council.

DOJ ENRD



Jeff Wood

- Former Trump campaign aid Jeffrey Wood is serving as the acting assistant attorney general.
- Wood was a partner at Balch & Bingham where he represented Southern Co. Wood lobbied for “spent nuclear fuel” and the “development of new nuclear plants.”
- Wood was the former energy counsel to Sen. Jeff Sessions.

EPA STAFF (1)

- EPA is still not close to being fully staffed
 - For example, EPA recently decided to extend the effective dates of five Obama rules. “As was the case on January 26 [when the rules' effective dates were first extended], it is difficult to predict when the appropriate officials might assume their responsibilities,” Pruitt wrote in the *Federal Register*, adding, “even today the EPA has only one Senate-confirmed official in place.”
- EPA Administrator Pruitt removed delegated authority for acting assistant administrators and regional administrators to pursue “significant” actions, effective March, 2, 2017. This decision was announced by then-“beachhead” team member David Schnare.
- Many of the new appointees have worked for Senator Inhofe (R-OK) in some capacity.

EPA STAFF (2)

- ***Now working at EPA:***

- **Ryan Jackson** --- He serves as Chief of Staff to EPA Administrator Scott Pruitt. Jackson is a former staffer for Oklahoma Senator Jim Inhofe (R-Ok) where he served as the staff director for the Senate Environment and Public Works Committee.
- **Samantha Dravis** --- She is Head of EPA's Office of Policy, the primary policy arm of EPA which provides expertise across five areas: regulatory policy and management, environmental economics, strategic environmental management, sustainable communities, and climate adaptation.

- ***Appointments announced:***

- **Mandy Gunasekara** --- She will be senior policy adviser to Administrator Pruitt. Gunasekara previously served as majority counsel on the Senate Environment and Public Works Committee.
- **Byron Brown** --- He will serve as Administrator Pruitt's Deputy Chief of Staff. Brown previously served as oversight counsel for the Senate Environment and Public Works Committee.

EPA STAFF (3)

- **Andrew Wheeler** --- It is widely expected that Andrew Wheeler, another former staffer of Sen. Inhofe, will be nominated to serve as EPA deputy administrator, the top position at EPA after administrator. Wheeler, who is now an energy lobbyist, was previously staff director and chief counsel at the Senate Environment and Public Works Committee.
- **Troy Lyons** --- He is rumored to become Associate Administrator for the Office of Congressional and Inter-governmental Relations (OCIR). Roberts is currently a lobbyist for Hess Corp. and previously served a similar role at BP America.
- **David Schnare** --- A member of President Trump's "beachhead" team at EPA, announced his resignation on March 15. In addition to his "beachhead" role, Schnare had served as a member of President Trump's EPA transition team and was expected to serve as assistant deputy administrator.

ADMINISTRATION TRANSITION

- Federal Regulatory agencies
 - Staffed by long-tenured bureaucracy
 - Difficult to change direction quickly
 - Resistant to change of views/philosophies
- Potential regulatory roll backs
 - Regulations that have been implemented are difficult to roll back
 - Regulations that have been finalized but not implemented may be rolled back
 - Congressional Review Act
 - Planned regulatory agenda items most likely will not continue

NEW PROJECT APPROVALS- NEW ADMINISTRATION

- Infrastructure development in Oil & Gas will be a cornerstone of new policy
- Upstream development will require new infrastructure
- New administration project review/ policies
 - All projects will be initially reviewed through a lens of jobs creation
 - Sound Science and federal overreach will also be a key criteria for approval
 - Projects will have to be couched in terms of “Greatness for America”

FERC QUORUM: AN IMPEDIMENT TO INFRASTRUCTURE

- Following the departure of Commissioner Norman Bay, FERC has lacked a quorum with which to ensure complete continuity of operations.
- On February 3, 2017, FERC formally issued an order expanding the authority of FERC staff to act on filings submitted to the Commission without formal FERC action during the non-quorum period.
- The Administration is expected to announce nominations of Kevin McIntyre, Neil Chatterjee, and Robert Powelson to fill the FERC vacancies.

CONGRESSIONAL AND ADMINISTRATION PRIORITIES

- Congress and the Administration have sought repeal of major energy and environment regulations via the Congressional Review Act (CRA) and administrative action.
- Congress may also seek to pass legislation that aims to prevent similar regulations from being implemented in the future. For example, specific actions include, H.R. 637, a bill that would rewrite the Clean Air Act to clarify that EPA cannot regulate GHG emissions. H.R. 637 currently has over 100 cosponsors.

RECENT CRA AND ADMINISTRATIVE ACTIONS

- **On March 12, 2017**, EPA Administrator Pruitt rolled back the effective date of the proposed update to the risk management plan (RMP), which would apply to up to 12,500 chemical plants, refineries and other facilities. HJ Res. 59 has been introduced to disapprove of the rule, but has not seen action to date.
- **On March 7, 2017**, the Senate voted 51-48 on H.J. Res. 44 which would repeal Interior's land use planning 2.0 process. The measure is likely to be signed by Trump. The move was applauded by API.
- **On March 2, 2017**, EPA cancelled an information collection request which sought to collect data meant to aid EPA in crafting regulations to control methane from existing sources.

RECENT CRA AND ADMINISTRATIVE ACTIONS

- **On February 28, 2017**, the President signed an Executive Order intended to review the Waters of the United States (WOTUS) rule. On March 6, 2017, EPA issues its Notice of Intent to Review and Rescind or Revise the Clean Water Rule.
- **On February 16, 2017**, the President signed H.J. Res. 38, which effectively rescinded the Stream Protection Rule, a rule that imposed water monitoring and quality standards.
- **On February 14, 2017**, the President signed H.J. Res. 41 a resolution to disapprove of SEC rule that requires disclosing payments to foreign governments. The rule used to require that oil and gas companies disclose payments to foreign countries.

ENVIRONMENTAL AND ENERGY REGULATIONS ARE PRIME TARGETS FOR CRA REVIEW

Rules Impacting Upstream Onshore

- BLM – Venting and Flaring
- BLM – Orders No. 3,4,5
- BLM Stream Protection Rule

Agency	Rule
Bureau of Land Management	Methane waste prevention or “venting” rule
Environmental Protection Agency	Solid waste landfill emissions guidelines
EPA - NHTSA	Heavy duty vehicle fuel efficiency standards
Interior Department	Arctic offshore exploratory drilling rules
EPA	New oil and gas sector source greenhouse gas emissions limits

INITIATIVES THAT MAY BE CHANGED/DISCONTINUED

- Information Collection Request (ICR)
 - Phase 1 - asset descriptions (already sent out)
 - Phase 2 - emissions/equipment
- BLM Rules
 - BLM – Venting and Flaring – Final Nov. 18, 2016
 - BLM – Orders No. 3, 4, 5 – Final Nov. 17, 2016
 - BLM Stream Protection Rule
 - BLM Fracking rules
- Clean Power Plan
 - Will be discontinued
 - Coal already disadvantaged
 - This will not save it
- Refining and Marketing
 - Rationalization of Renewable Fuel Standards
 - Roll back of proposed Risk Management Plan changes
- Endangered Species Act (ESA) regulations and policies

INITIATIVES/ISSUES THAT WILL CONTINUE

- Upstream National Enforcement Initiative
 - Focus has been on air emissions and discharges to streams and creeks
 - New technology being implemented for air emission enforcement
- New air emission VOC/Methane rules (OOOOa)
- New pipeline safety rules (PHMSA)
- Induced seismicity
 - Caused by water disposal wells
 - This may cause shortage of injection disposal capacity in parts of the country
- Water sourcing, reuse, recycling
- Power
 - Power generation performance standards that disadvantage coal
 - Gas will be the fuel of choice
 - Renewable energy requirements will continue
- NGO concerted efforts
 - Less regulatory authority cooperation
 - Use of judicial system

NEW AIR EMISSION REGULATIONS 0000/0000A

- These rules regulate emissions at onshore crude and natural gas facilities
- Quad O applies to facilities constructed after August 23, 2011 and before September 18, 2015. Sources include:
 - Compressors
 - Pneumatic controllers
 - Storage vessels
 - Sweetening units
 - Well completion flowback for gas wells must be treated through processing and air emission abatement equipment
- Quad Oa was an amendment that applies to facilities constructed, modified, or reconstructed after September 18, 2015. The rule also included the following:
 - Requirements for Leak Detection and Repair (LDAR) programs for pad sites and compressor stations
 - Pneumatic pumps and expanded requirements for centrifugal and reciprocating compressors added as sources
 - Well completion flowback processing now also applies to oil wells
 - Addition of Greenhouse gases
- Monitoring and reporting
- 0000a is not eligible for a CRA vote. The Senate received their copy on May 24, 2016 (before the June 13th cutoff).

NEXT GEN COMPLIANCE AND MONITORING

- EPA intends to incorporate Next Gen compliance approaches into any initiatives adopted
- Five interconnected components:
 - More effective regulations and permits
 - Advanced monitoring
 - Electronic reporting
 - Expanded transparency
 - Innovative enforcement
- Advance Monitoring
 - Using cutting-edge technology (e.g., IR cameras or differential absorption LIDAR)
 - Detect and quantify pollutant discharges and other noncompliance
 - Heavy emphasis on real-time monitoring and making data publicly available which creates incentive for quick response from industry