

Resolution of the Board of Directors in Support of Increased Domestic Hydrocarbons Production

As set forth in the Greater Houston Partnership's (GHP) September 18, 2009 *Resolution of the Board of Directors in Support of Balanced Energy Policy*, GHP calls on the Obama administration, members of Congress, GHP Membership and the citizens of the Houston region to support a balanced energy policy that appropriately considers U.S. economic growth, job creation and energy security while maintaining environmental protection, human health and safe operations.

On March 30, 2011, President Obama introduced his energy plan for America. In his plan, the president called for increased domestic drilling and a one-third reduction in foreign oil imports by 2025. Despite the pronouncement, there is increasing concern that the current administration has challenged domestic oil and gas production with costly new regulations and blocked exploration on potentially oil-rich tracts onshore and off.

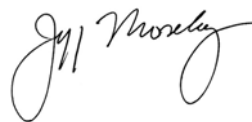
The domestic hydrocarbons industry is currently challenged by:

- Restricted access to potential resources;
- Slow process to obtain leases and permits for oil and natural gas exploration; and
- Threat of repeal of federal tax policies that encourage hydrocarbon exploration and production.

GHP supports an energy policy that requires safe and environmentally responsible operations. We encourage the administration to increase access to new hydrocarbon resources by leasing areas with promising resource potential, expediting permitting to explore and develop existing leases and to engage the United States Congress to determine the appropriate level of environmental regulation, recognizing the interdependencies between environmental, economic and energy security goals.



Larry Kellner, Chairman



Jeff Moseley, President and CEO



Tony Chase, Secretary

BACKGROUND MEMORANDUM

DATE: July 20, 2011

TO: Greater Houston Partnership Board of Directors

FROM: David Dickson, Chairman, Energy and Environment Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Increased Domestic Hydrocarbons Production

RECOMMENDATION

As set forth in the Greater Houston Partnership's (GHP) September 18, 2009 *Resolution of the Board of Directors in Support of Balanced Energy Policy*, GHP calls on the Obama administration, members of Congress, GHP Membership and the citizens of the Houston region to support a balanced energy policy that appropriately considers U.S. economic growth, job creation and energy security while maintaining environmental protection, human health and safe operations.

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BACKGROUND

On September 18, 2009, the GHP Board of Directors formalized its support for comprehensive energy policy incorporating the following principles:

- Promotes energy security and reliability;
- Ensures U.S. competitiveness in the worldwide economy;
- Ensures economic impact is borne proportionally across business sectors;
- Promotes development and use of all domestic energy sources;
- Balances environmental objectives with economic growth and job creation;
- Promotes energy efficiency and conservation;
- Achieves legislated emission reductions at the lowest possible cost;
- Addresses the international nature of greenhouse gas emissions and encourage global participation;
- Maximizes transparency with companies and consumers;
- Reduces administrative complexity; and
- Enables market entry for energy efficient and low carbon technologies.

Under the current administration, the domestic hydrocarbon exploration and production industry faces numerous federal challenges, including:

- The U.S. Department of Interior and the Bureau of Ocean Energy Management and Regulation have slowed the approval process for offshore drilling permits.
- The U.S. Department of State has delayed development of the Keystone XL Pipeline from Canadian oil sands to U.S. refineries along the Gulf Coast by ordering a Supplemental Draft Environmental Impact Study (SDEIS) to address concerns about pipeline safety and climate change issues around oil sands production. The SDEIS was released on April 15, 2011. Public comments were accepted through June 6, 2011. GHP issued a resolution in support of the Keystone XL Pipeline project on May 20, 2011.
- The U.S. Environmental Protection Agency (EPA) has extended the deadline for reporting 2010 data under the Greenhouse Gas Reporting Program to September 30, 2011. Even though this action has been postponed, it is anticipated there will be impacts to industry. The EPA has also expressed concerns regarding the impact hydraulic fracturing has on drinking water supplies and initiated a study on this issue in 2011.
- The Obama administration has broadened application of the National Environmental Policy Act, Endangered Species Act and Clean Air Act to include consideration of greenhouse gas emissions. This has not been authorized by Congress, complicates and slows leasing and permitting processes and facilitates litigation from opponents of domestic oil and gas development.
- The Obama administration is implementing additional means for land and water use restrictions with its Bureau of Land Management Wild Lands Policy and National Ocean Policy, neither of which have been authorized by Congress.

- The Obama administration has proposed that the U.S. Department of the Treasury eliminate oil and gas cost recovery mechanisms such as Intangible Drilling Costs and Percentage Depletion deductions that are particularly important to small and mid-sized oil and gas companies.
- Alternative transportation fuel sources, such as ethanol and electric vehicles, receive subsidies administered by the U.S. Department of Agriculture and the U.S. Department of Transportation, respectively. Use of these fuel sources is further enhanced by requirements such as the EPA's mandate to blend 15 percent ethanol with gasoline. Uncertainty over the future of these subsidies and mandates is clouding decision making in the refining sector.

Complex regulatory mandates imposed upon energy suppliers will increase production costs. Additionally, uncertainty regarding regulatory and liability issues discourage development of innovative energy alternatives and technologies. It is important that energy policy is mindful to reduce administrative complexity. It is also critical that all costs and benefits of proposed policy or regulatory actions are communicated to maximize transparency with companies and consumers. There must be public access to data and research to support informed consumption and investment decisions.

Energy resource development should be done safely with consideration for the environment, human health and safe operations; however, it is important that these concerns also balance economic and energy security considerations. Continued federal action along the path of the examples listed above will impede the oil and gas industry with negative consequences to the Houston regional economy.

KNOWN OPPOSITION

- Interest groups opposed to domestic exploration and production due to environmental and safety concerns.
- Congressional supporters of increased oil and gas industry taxation as a means to address the current U.S. deficit.

ACTION NEEDED

GHP calls for continued support of a balanced energy policy that appropriately considers U.S. economic growth, job creation and energy security while maintaining environmental protection, human health and safe operations.

IMPLEMENTATION

To implement this recommendation, GHP would communicate its support of this resolution to the Houston regional Congressional delegation, Members and citizens of the Greater Houston region.

FISCAL IMPACT

The oil and gas industry supports 9.2 million jobs throughout the economy and 7.5 percent of the U.S. Gross Domestic Product (American Petroleum Institute, October 2010). Support for this resolution will ensure continued domestic hydrocarbons production and will guarantee tax revenues from operations and sales of products that contribute billions of dollars every year to federal, state and local governments.

Levying new taxes and fees on the domestic oil and gas industry would increase costs to consumers, jeopardize U.S. jobs and erode economic competitiveness.

RESOURCES REQUIRED

This recommendation can be implemented with available GHP staff within current operating budget resources.