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API Chief Touts Geology, Not Ideology, as the Foundation of Smart Energy Policy

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Written by John Egan for Industrial Info Resources (Sugar Land, Texas)--Remember this phrase: Geology, not ideology. It's likely to come up a lot in the coming months. Jack Gerard, president and chief executive of the American Petroleum Institute (API) (Washington, D.C.), used the phrase repeatedly in his “State of American Energy” speech Tuesday in Washington, D.C. Gerard used his lunchtime address to urge energy policy be based on “facts and data,” rather than the overheated rhetoric of anti-development activists.

“The United States is leading the world in energy production, we have one of the strongest western economies and are leading the world in reducing greenhouse gas emissions, a trifecta of success unmatched by any other nation,” Gerard told several hundred attendees at Tuesday's lunch, during which the trade group released its “State of American Energy 2016” report. Gerard's address and the API report discussed the trade group's new effort, the “Vote4Energy” voter education campaign, which it will use to inform U.S. voters of the positive economic, environmental and energy security benefits of expanded Oil & Gas exploration, production and transportation.

That campaign is needed because “the next president and members of the next Congress will play a critical role in shaping America's 21st century energy renaissance, determining whether our nation will cement its position as a global energy leader,” the API report said. “The energy policy conversation is about more than oil and natural gas development. It is about American competitiveness, international influence, national security and long-term economic strength and prosperity.”

Gerard touted what he called the U.S. model of energy development, based on facts and data, devoid of unnecessary federal legislation and led by states that are “active and semi-autonomous actors when it comes to how [their] energy resources are developed. ... Our system of government, working in combination with our long tradition of entrepreneurship and distinct innovative spirit, has led to world-leading reductions in carbon emissions, now at near 20-year lows." The U.S. model "is the most effective way to better protect the environment, while growing the economy and increasing energy production," he added.

Gerard said the recent decision to end the 40-year-old ban on crude-oil exports was "a victory of long-term vision and fact-based policymaking over political ideology and ideological dogma." He cited a study from ICF International Incorporated (NASDAQ:ICFI) (Fairfax, Virginia), which concluded that ending the ban would save consumers as much as $5.8 billion per year on fuel costs.

The API chief decried the "ardent few who continue to believe that keeping our nation's abundant energy resources in the ground is a credible and viable national energy strategy. There are some in government who will advance their favored forms of energy to that dubious and untested end, heedless of the potential harm it could cause to our economy or how much it could cost the American consumer or how it could impede continued environmental improvement."

Gerard noted that White House talking points released last summer to support President Barack Obama's Clean Power Plan "bragged, 'the rush to natural gas is eliminated,' " despite the Power Industry's sharp increase in use of natural gas in recent years, which has contributed to a lowering of carbon dioxide (CO_2) emissions. And this despite the administration's regular acknowledgment that greater use of natural gas in power generation has significantly lowered CO_2 emissions, Gerard said. From Gerard's perspective, federal energy policy, all too often advanced "under the guise of environmental protection, in fact seek[s] to pick winners and losers in the energy market, not based on market conditions, consumer preference or economic reality." He added the problem of CO_2 emission is already being handled by markets.

He criticized the nearly 100 pending rulemakings targeting segments of the Oil & Gas Industry, including separate efforts to regulate hydraulic fracturing on federal lands as well as reducing methane emissions. "Methane emissions are declining, yet the [Obama administration] is pursuing an [expanded] regulatory regime," he said. "Hydraulic fracturing is already heavily regulated at the state level, yet they're pursuing a [federal] regulatory regime."

Hostility to oil & gas production is extending to opposition to the transportation infrastructure that brings those products to markets and consumers, Gerard warned. He noted New England pays up to 69% more for its electricity than the national average and blamed the disparity, in part, on the region's inability to build, in a timely manner, enough infrastructure to bring natural gas into the region. Gerard rued the “dangerous combination of outdated policies and anti-fossil fuel political ideology that discourages American companies from investing in tomorrow's pipelines, marine terminals and other energy infrastructure projects.”

He asserted “anti-fossil fuel advocates, emboldened by their ability to stop the Keystone XL pipeline, have set their sights on all energy infrastructure projects. Their arguments against this energy infrastructure project were not based on its economic merits or true environmental impact. ... The demonization of the Keystone XL pipeline remains a powerful cautionary tale of the dangers of energy policy driven by ideology rather than economic reality and has a chilling effect on expansion efforts for our nation's energy infrastructure. That's not just bad national energy policy. It is also bad news for our nation's economy.”

This trend against energy infrastructure is particularly worrisome because so much investment is needed to ensure homeowners and businesses continue to reap the full benefits of expanded oil & gas production, Gerard indicated. The API chief cited a study by IHS Incorporated (NYSE:IHS) (Englewood, Colorado) that estimated U.S. energy infrastructure investment needs of about $1.15 trillion over the next decade Those investments could support more than 1.1 million jobs nationally, contribute $120 billion to U.S. gross domestic product and increase revenues to government by more than $27 billion through 2025.

The API's Vote4Energy campaign is designed to inform citizens of the dramatic gains the oil & gas industry has made, including doubling domestic production, and win the public's hearts and minds on the need to remove impediments to oil & gas exploration, production and transportation.

“We know what the difference between pro-energy development and anti-energy development will mean to our nation's economy, businesses, families, consumers and for our environment,” Gerard said. “Last year a study by Wood Mackenzie [Edinburgh, U.K.] found that with the right energy policies, America's oil and natural gas industry could support as many as an additional 1 million American jobs in 2025 and as many as 2.3 million by 2035." The Wood Mackenzie study also looked at the economic difference between pro-development energy policies and anti-development energy policies espoused by some, he continued. Over the next 20 years, pro-development policies could cumulatively increase local, state and federal government revenue by more than $1 trillion and boost household discretionary income by as much as $508 billion; further, average annual household energy expenses could be lowered by approximately $360 per year. But policies that discourage energy development and constrain U.S. refiners could lead to a cumulative decrease of $500 billion in government revenue from 2016 to 2035 and increase by $242 the cost of energy annually for the average household.

Streamlining the permitting process for infrastructure projects "is incredibly important," and is one of the trade group's top priorities in 2016, Gerard told his audience. API's other priority this year is significantly amending or repealing the Renewable Fuel Standard, which mandates that gasoline contain a growing percentage of ethanol.