

USEA 2022 State of the Energy Industry Forum

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AS PREPARED FOR DELIVERY

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Good morning. First, thanks to the U.S. Energy Association for hosting this important forum, and for all the events and programs U.S.E.A. does throughout the year. Your role in convening this variety of impressive energy organizations is greatly appreciated.

And Sheila, thank you for the kind introduction and for stepping up as our Acting U.S.E.A. Executive Director. Arshad and Maria, thank you both for your remarks and the leadership you provide. Finally, thanks to all the other energy luminaries participating today and to everyone watching online.

Whether you're representing natural gas, oil, solar, wind, nuclear, or utilities, we are all working to tackle what could be described as this generation's biggest challenge: providing increasing amounts of energy to a growing global population while reducing emissions and decreasing industrial impact on the environment.

We accept that challenge here at API. Our bread-and-butter is publishing standards to unify safety and environmental practices across the entire natural gas and oil industry – and doing so in ways that create jobs, prioritize communities and help the planet.

In order to highlight our industry's commitment to a lower-carbon future and address the risks posed by a changing climate, I'm proud to say API introduced our Climate Action Framework in 2021, with five basic goals in mind: strengthen emissions reductions in our industry and across the economy . . . speed up the development of cleaner fuels . . . drive climate reporting to provide consistency and transparency . . . support economywide carbon pricing mechanisms . . . and deploy lower-carbon technologies at commercial scale – all while continuing to meet growing energy demand.

Americans and, really, the world are counting on all of us to meet energy demand responsibly. Despite reports to the contrary, there are plenty of ways to find consensus and common ground. In the spirit of the new year, today I'd like to highlight where we can collaborate now and deep into the future – whether it's working together toward infrastructure and permitting policies that enable critical projects and good union jobs; keeping America the world's energy leader; or addressing the challenge of climate change.

But first, it's important to frame those opportunities in the current moment we face – not just as energy leaders, but as people with interest in leaving a better world behind for future generations.

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It's no secret America continues to grapple with great uncertainty. We still have an ongoing pandemic and are dealing with clear health and global economic

consequences as a result. We've had prolonged disruptions to the supply chain. And, as last week's CPI report confirmed, one of the main drivers – at least on the economic side – is increasing rates of inflation that we have not seen since the beginning of the Reagan Administration. All of these are tough hurdles. But we will clear them all, individually and collectively. Growth will return. Energy demand has already returned and will grow.

Now, my responsibility at API is to point out that any path toward American prosperity, security and progress must include American natural gas and oil.

But I think the same attitude and approach applies to any American energy producer. Every type of energy on today's forum plays a part in addressing all these challenges and many more.

Global population is projected to increase another 2 billion by 2050 and that will likely drive energy demand another 50% above today's levels. While we compete, we're also working toward the noble cause of providing power that enables modern life worldwide.

Last week was API's 13th State of American Energy. In my keynote address I issued a call to action to President Biden, Congress, and lawmakers in all 50 states. The first item was to work together on implementing policies to address the risk of climate change and move toward a lower-carbon future.

Second, prioritize policies that encourage responsible energy production and infrastructure projects here at home in the U.S. Whether you're building an oil pipeline or solar panels or a nuclear facility, we should recognize the volatility of the world we live in and the consequences of foreign energy dependency.

Third, craft regulatory policies to unleash private investment in energy, like our industry has done with reducing methane emissions. Regulations have a key role to play in preserving American energy leadership and shaping a lower-carbon future.

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In preparing this speech, I happened to notice the January USEA newsletter was titled "Turning the Page on 2021." Spot-on.

Let's just say I can confirm there were a few unwelcome policy developments in 2021. I sincerely hope that these are all past tense. One of our new president's first acts was to cancel the Keystone XL project to get Canadian energy down to American refiners. You know it's bad when you manage to upset Canadians in the process.

Next was blocking leases for on- and off-shore production on federal land. Then the White House unsuccessfully appealed to our foreign competitors to ramp up production. And all through 2021, the President's allies in Congress pursued a massive social spending plan financed in part by a punitive tax on natural gas production – something that is still on the table. Allies of the administration also pushed the idea of *instituting* a

ban on LNG exports and *reinstating* a ban on crude oil exporting that was lifted by President Obama and a Republican-led Congress 7 years ago.

But there was a happy ending to 2021: In December, we were pleased to see comments from Energy Secretary Jennifer Granholm – not only signaling a retreat on a crude oil export ban, but also about ramping up overall U.S. oil and gas production.

That was welcome. There's an important case to be made for cooperation between all of our industries and this administration. Cooperation is a necessity in ensuring the supply of U.S. energy, including solar, wind, nuclear – and yes, petroleum products.

Here's why: Suppose that by 2040, every signatory to the Paris Climate Agreement was to meet their commitments. Even then, the International Energy Agency projects natural gas and oil will still account for almost half of all energy used.

The only real decision here is where natural gas and oil are produced. Does production move overseas to places that may not have the same high industry standards; that may not have the oversight and safety regulations we have; that, frankly, may not have the record of addressing risks associated with climate change that we have here?

It shouldn't. In an era of *increasing* the use of natural gas for power generation, the U.S. has led the world in *reducing* carbon dioxide emissions. Likewise, average methane emissions intensity declined by nearly 60% across all seven major producing regions from 2011 to 2020, according to government data.

We want to build on those gains and appreciate that America has accepted the responsibility to lead on climate. Our industry views that responsibility as an opportunity to work with other sectors, including many here today. Like you, we wake up every day and wonder how to improve our processes, eliminate even more emissions and preserve America's role as the world energy leader. To lose that advantage is not in anybody's best interest.

Energy is an input for practically everything else in the economy. With supply-chain failures, and with inflation on the minds of many Americans, the last thing anyone wants to see is more upward pressure on costs that are felt by every family and business.

Before the shocks of the pandemic, America had become the world's leading producer of natural gas and oil, which enabled us to become a net exporter of energy for the first time in nearly 70 years. To help preserve this American energy leadership, here are four areas where Washington policymakers, our industry and other energy leaders gathered today can work together:

First and foremost, **promoting infrastructure** and reminding policymakers of the need to adopt new permitting guidelines that protect the environment, cut red tape and avoid

unnecessary delays. Reorienting the National Environmental Policy Act is a critical step toward meeting growing demand for cleaner energy and unleashing job-creating infrastructure projects delayed by bureaucracy.

Second is **methane regulation**: like many of you, API supports the direct regulation of methane from new and existing sources. Our producers have focused hard on emissions sources and our flare volumes have decreased more than 50 percent from 2019 to 2020 while production remained near-constant.

Third, **carbon capture**: Increasing the commercial-scale use of carbon capture, utilization and storage capacity with supportive regulation and tax policies is something that has broad, bipartisan support in Congress and elsewhere. It is critical to reducing emissions while also supplying energy needed by the U.S. and the world. With appropriate government policies, America can accelerate its global leadership in carbon capture technology.

Finally, **liquefied natural gas exports**: We are hopeful the administration will not move ahead with a ban on LNG exports as the U.S. will have the world's largest LNG export capacity by the end of 2022. We should build on that momentum. The administration, Congress and industry should cooperate to support American LNG exports, boost U.S. trade, and help support domestic production and benefit allies abroad. We view natural gas as a bridge fuel, so increasing LNG is good for the environment and good for our allies – especially as we watch what is happening with supply in Europe this winter, and with new tensions in Ukraine and Kazakhstan and other parts of the world.

As I said last year on this forum, the choice is stark, but we should make correct decisions: Energy that is abundant and produced safely and cleanly here in the U.S., or do we again ramp up foreign dependence from less reliable nations?

I think the answer is obvious: working together, let's sustain the momentum of reducing emissions and addressing climate risk while keeping energy production of all kinds here in America.

Thank you.