

For Oil and Gas, Next 4 Years Are All about Regulations—More Or Less

When it comes to the oil and gas rules and the costs, Trump and Biden take opposite stances, say experts at the North American Gas Forum.

Joseph Markman, HartEnergy.com

Thu, 10/22/2020 - 11:34 AM



(Source: HartEnergy.com; Alexander Supertramp, Trevor Bexon, Evan El-Amin/Shutterstock.com)

Energy policy, ignored in the first presidential debate, made the cut for the final debate under the heading of climate change. But the real issues—what are the rules and how much will they cost—are unlikely to be addressed in depth by President Donald Trump or former Vice President Joe Biden.

That doesn't mean, to adopt a popular expression of late, that the regulatory environment is not on the ballot.

“There's no question that if [former Vice President Joe Biden] wins, and especially if [Democrats win a majority of seats in] the Senate, there will be new rules and new costs on oil and gas production,” David Goldwyn, president of Goldwyn Global Strategies LLC, said Oct. 20 during a panel discussion at the North American Gas Forum organized by Energy Dialogues LLC. “There will be regulation of methane. It will

be harder to permit new infrastructure, although we have pretty much an excess capacity both in oil terminals and pipelines and LNG terminals now.”

Assuming Biden holds to his promise to deny new leases on federal lands for onshore oil and gas production, the winners could be private landowners, Goldwyn said.

U.S. oil and gas exporters stand to benefit if Biden can effectively manage and reduce the impact of COVID-19, leading to economic stability, he added.

Wood Mackenzie echoed that point in an Oct. 21 commentary.

“In the short term, a Biden victory, if combined with Democratic control of the Senate, is likely to result in greater fiscal stimulus for the economy, which is likely to translate to stronger economic growth and higher fuel demand,” wrote Ed Crooks, the company’s vice chair of the Americas, in the analysis.

Michael Catanzaro, president and chief policy officer of CGCN who served in the Trump White House until 2018, was skeptical that private landowners were positioned to make a killing, arguing that more stringent regulations in parts of the Clean Air Act would counter any benefits. And while costs would rise for oil and gas, the critical factor would be the ability to obtain permit approvals, which could create problems for the midstream sector.

“We’ve already seen problems, whether it’s the Atlantic Coast pipeline, the Constitution pipeline and others,” Catanzaro said. “The idea that you’re going to be building these big interstate gas pipelines—in a Biden administration, it’s a question to whether you’ll be able to do that anymore.”

What Biden’s Rules Mean

Catanzaro’s concerns stem from Biden’s promise to put more emphasis on the effects of greenhouse gas emissions and climate change in the federal permitting process.

“Under a Biden administration, passing environmental review under the National Environmental Policy Act (NEPA) and ultimately achieving FERC approval would become more difficult for large-scale interstate infrastructure projects, and development costs would increase,” Crooks wrote.

But Atlantic Coast and Constitution were terminated during the Trump administration and despite its efforts to support the oil and gas industry. Crooks also noted that one of Trump’s first acts in office was to clear the way to build the Keystone XL Pipeline. It still has not been built.

To Goldwyn, the State Department's special envoy on international energy affairs during the Obama administration, the best path forward for the midstream is a Biden administration.

"The social license to operate, and the issues over the Atlantic Coast pipeline and Mountain Valley and others, are really over whether or not there's any place in the economy where we're dealing with climate change and emissions," he said. "And when people have nowhere to go, they're going to go for the thing they can stop and that's the midstream and infrastructure."

The all-out war to shut down every project would continue in a second term for Trump, Goldwyn argued. However, a pipeline company that complies with stringent Federal Energy Regulatory Commission (FERC) requirements involving impacts on climate change would have a chance to regain that social license to operate. It would be hard to do, he admitted, but he said it is the only way forward for the industry.

And if Trump Wins?

A second Trump term would continue the deregulatory efforts of the last four years, Catanzaro said. Much of the action over the next two years, assuming the president is re-elected, will take place in the courts.

Among the issues:

- The U.S. Environmental Protection Agency's (EPA) proposed Safer Affordable Fuel Efficient vehicles rule for model years 2021-2026. The rule proposes that relaxing fuel efficiency standards would lower the cost of new vehicles, allowing more people to buy them. Driving the newer cars with up-to-date safety equipment would make the overall vehicle fleet safer.
- Updates to NEPA.
- The EPA's Affordable Clean Energy (ACE) rule, which changes how to achieve emissions reductions in the Clean Air Act.
- The administration's rollback of methane rules.

As the litigation makes its way through the D.C. Circuit, many will be vacated or remanded, forcing the administration to pursue its goals in other ways, Catanzaro said.

"That's going to take up time, that's going to take up resources and the administration will potentially get sued again," he said. "That's something they're going to be dealing with."

In Trump's second term, Catanzaro expects that the effort of targeted reforms under specific statutes at specific agencies will move toward administration-wide reforms led by the White House Office of Information and Regulatory Affairs and the Office of

Management and Budget. An example of this is how EPA is now looking at reforming its approach to cost-benefit analysis in regards to the Clean Air Act.

Gas Outlook

If Democrats take control of the White House, Senate and House of Representatives, Goldwyn expects Biden to unveil a comprehensive Clean Energy Standard that will require a share of electricity to be produced from non- or low-emitting sources. In such a scenario, natural gas plays an important role in tandem with carbon capture and sequestration (CCS) technology.

“It really falls on the gas industry about which way they’re going to go,” he said. “Are they going to fight it or are they going to double down on CCS? I think if they’re willing to, they might see some help from the Biden administration.”

Goldwyn anticipates that a Biden administration will support LNG exports, especially because of the role they could play in global decarbonization. Construction of export infrastructure would be another matter and one of concern to Catanzaro.

“It gets down to this core question about what kind of impacts you’re looking at from a climate standpoint,” Catanzaro said. “If you’re requiring very rigorous, broad-based analysis looking all the way upstream, midstream, downstream, consumption overseas, and trying to get a handle on how that analysis would play out, that gets very complicated. You have to figure out how to do that and that would definitely slow down the permitting process very significantly.”

United States