

April 14, 2021

The Honorable Deb Haaland
Secretary of the Interior
U.S. Department of the Interior
1849 C Street, N.W.
Washington DC 20240
energyreview@ios.doi.gov
Re: Energy Review as Called for in Executive Order 14008

By email at energyreview@ios.doi.gov

Dear Ms. Secretary:

I write in response to a request for additional information by the Department of the Interior on energy review as called for in Executive Order 14008 and online forum held on March 25, 2021.

My name is Ellen R. Wald, Ph.D. I am a senior non-resident fellow at the Global Energy Center at the Atlantic Council, the founder and president of Transversal Consulting, and an adjunct professor at Jacksonville University. Past appointments include visiting assistant professor at the University of Georgia, Majewski Fellow in Economic Geology at the American Heritage Center at the University of Wyoming, Visiting Scholar at the University of Cambridge, and lecturer at Boston University. I am a columnist on the energy industry and investing at investing.com. I earned my doctorate in history with a focus on the energy industry at Boston University and my A.B. magna cum laude from Princeton University. The views I share in this letter are mine and do not represent those of any institution with which I am affiliated.

The most obvious results of new restrictions on energy production on federal land would be economic difficulties, primarily job losses in affected regions and higher fuel prices. Such a policy change would also be a negative sign to all investors in the United States—not simply energy investors—who would view a drastic change in policy as unreliable. One of the greatest economic advantages for the United States has always been the reliability of the rule of law, but if major policies which were formerly bipartisan are open to drastic changes upon the arrival of a new administration, businesses and investors will come to lose faith in the system.

For much of his tenure, President Obama took pride in his administration's efforts to open more federal land to oil and gas drilling. During his administration, the nation experienced a drastic rise in production and the most significant impact of the shale revolution.¹ He discussed this openly and credited domestic oil and gas production with helping add jobs for the economy.² President Obama's policies were then continued by President Trump, creating a reliable and stable condition that led to the highest rate of oil production ever in 2019.³

¹ <https://money.cnn.com/2016/07/21/investing/trump-energy-plan-obama-oil-boom/index.html>

² https://www.politico.com/news/stories/1012/82484_Page2.html

³ <https://www.eia.gov/energyexplained/oil-and-petroleum-products/where-our-oil-comes-from.php>

Now, that reliability is disrupted by Biden administration's decision to reassess production on federal land and the possibility that the administration will curtail production; the Biden administration already placed a one-year moratorium on future leases for natural gas and oil.⁴ These unprecedented dynamics leaves businesses and investors anxious about the drastic changes that can occur in the United States based on nothing more than the decisions of a new administration. As I wrote recently in the Hill, "Business ventures will now see a risk of unreliability every four years."⁵ This is a dangerous precedent to set, for energy and for business in general.

Even though quite a few energy companies tried to prepare for the possibility of curtailed production on federal land by obtaining permits in advance, the new administration already invalidated 70 previously approved permits less than 10 days into its term in office.⁶ Again, business will hesitate to rely on the word of the American government, and there is evidence that they already are hesitating.

In the energy industry, we have already seen that the uncertainty alone is enough to scare away business. The price of oil has risen in the last two and a half months (WTI rose more than 10% from inauguration day to April 5), but production has not. With prices often in the mid-60 dollar range, many experts believed production would rise, but it did not because producers were nervous about impending government decisions.⁷

The Federal Reserve Bank of Dallas recently surveyed oil and gas producers about their plans for the future and many attributed uncertainty from the federal government to their decisions not to increase oil rigs and failure to increase production.⁸ 58% of the respondents expressed concern that "increased federal regulation will make their business unprofitable." They feel that even though "American hydrocarbons are the most regulated, safest and most reliable sources of clean barrels relative to other sources" the government seems "bent on killing the domestic oil and gas industry." Oil prices are high enough that energy firms could profitably expand operations but are holding off because the moratorium and lack of clarity surrounding the future of federal oil and gas leases "have created political risk and pose a long-term threat." Firms are extremely hesitant to move forward with long term projects because they fear that these projects will require federal approval that will not be forthcoming. The unbalanced and unclear approach the Biden administration is taking with respect to energy is already hurting American energy security. Oil and gas producers, like other businesses, need regulatory stability from the American government, or fuel prices will keep rising and job numbers will not grow.

Lest anyone believe that lower U.S. production is a net gain for the environment, that is not the case. A government decision to decrease (or simply not increase) production on U.S. federal land would not impact global demand numbers, global production numbers or greenhouse gas

⁴ <https://www.houstonchronicle.com/business/energy/article/Biden-executive-orders-nail-in-coffin-oil-and-gas-15906911.php>

⁵ <https://thehill.com/opinion/energy-environment/538072-bidens-treatment-of-energy-firms-is-no-way-to-run-a-healthy>

⁶ <https://www.bloomberg.com/news/articles/2021-01-29/biden-yanks-just-approved-drilling-permits-for-additional-review>

⁷ <https://www.investing.com/analysis/now-that-oil-prices-are-up-whats-keeping-us-production-down-200569380>

⁸ <https://www.dallasfed.org/research/surveys/des/2021/2101.aspx#tab-report>

emissions. The world still needs and wants oil and gas. Before the coronavirus pandemic, global demand was slightly above 100 million barrels per day, and the U.S. was producing just under 13% of that. The U.S. can produce less, but does not change global oil demand. If the world does not get the oil from the United States, it will get the oil elsewhere—and the U.S. will miss out on the industry jobs. If the U.S. does not produce the oil but someone else does, the fuel will be more expensive (with less on the market) and especially more expensive in the U.S. due to shipping and sales costs. Moreover, and perhaps most importantly, if the oil is produced elsewhere, the world will not benefit from the strict environmental regulations in the U.S. that ensure the cleanest production and transportation methods. In short, the world will see an environmental negative from losing U.S. production, and the U.S. economy would suffer too.

Finally, by banning federal leasing of natural gas and oil, the U.S. puts itself at further disadvantage to China. Domestically produced natural gas and oil provide the feedstock to produce necessary products such as plastics, chemicals, disinfectants, PPE, refrigerant and other medical necessities. America has the ability to produce these key items entirely domestically—without relying on supply chains from China—but if we curb oil and gas production by ending oil and gas leasing on federal land, we will severely handicap ourselves.⁹ Instead, the United States will be forced to rely on China for these vital products, even though they could easily and safely be produced at home.

The American economic success story is due to the hard work and innovation of great men and women, but it is also due to the stable environment for business which has been created by a rule of law and consistent leadership and policy. For 12 years, through Democrat and Republican leadership, the government has promoted and permitted exceptional endeavors that have added jobs and decreased the cost of fuel. A sudden change of course would shock business leaders and leave investors of today and the future wondering if they can trust the United States.

Sincerely,

Ellen R. Wald, Ph.D.

⁹ <https://www.energy.senate.gov/services/files/5AB138AA-9FE9-4E8A-BA84-C87F101E9B51>