State Relations

The Building Blocks of an Energy Independent America
Who is API?

• API is a national trade association that represents all segments of America’s technology-driven oil and natural gas industry.

• Its more than 580 members – including large integrated companies, exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms – provide most of the nation’s energy and are backed by a growing grassroots movement of more than 20 million Americans.

• The industry also supports 9.8 million U.S. jobs and 8 percent of the U.S. economy, delivers $85 million a day in revenue to our government, and, since 2000, has invested over $2 trillion in U.S. capital projects to advance all forms of energy, including alternatives.
One of API’s Foundational Programs
- First API standard published in 1925, now 600 standards covering all industry segments

Accredited and Transparent Process
- API is accredited by ANSI and follows its criteria for openness, balance, consensus and due process

Core of Institute’s Technical Authority
- API standards are heavily referenced by both Federal and State regulators

Basis for Worldwide Operations
- API standards are the most widely cited by international regulators
API’s State Relations team oversees 33 states and maintains offices in 22 states.

API’s State Relations team also works with allied oil and gas associations that cover 15 states.
Governor’s Map

29 GOP – 21 DEM
2014 State Legislative Control

26 GOP – 18 DEM – 6 SPLIT
According to the latest data, the total supported employment by the oil and gas industry in 2011 – 9.8 million, an increase of more than 600,000 jobs in just two years.

In 2012, the US was the world's largest natural gas producer with natural gas production totaling 24.1 trillion cubic feet.

The US was the second largest oil producer in 2012, producing 11.1 million barrels of oil per day. The US is projected to be the world’s largest oil producer around 2020, overtaking Saudi Arabia in the top spot until the mid-2020s.

The industry generated $74 billion in government revenues in 2012, with estimates rising to $138 billion by 2025.

$528 billion was directly provided by the oil & natural gas industry to the US economy in 2011.

$1.2 trillion of value added to the economy in wages, capital investment, and labor income, representing 8 percent of the economy in 2011.
The oil and natural gas industry is lifting the economic fortunes of states and communities across America.

COLORADO – 51,000 jobs
$1.6 billion in economic value

CALIFORNIA – 793,000 jobs
Developing the Monterey Shale could create 2.8 million NEW jobs

OHIO – 38,000 jobs
$4.1 billion in economic value

COLORADO – 51,000 jobs
$18.5 billion in economic activity to Arkansas.

Industry accounted for 65% of the employment growth from 2000-2012

PENNSYLVANIA - industry paid over $400 million into a state fund that helped with local infrastructure projects
State Issues

- Shale Development/Hydraulic Fracturing
- Oil Sands Development/Pipelines
- Petroleum Coke
- Fuels/Emissions
- Propane Issues
- Divestment
- Crude by Rail
- Taxes
- Access
Shale Development – Hydraulic Fracturing

Lower 48 states shale plays

Source: Energy Information Administration based on data from various published studies.
Updated: May 9, 2011
Benefits of Hydraulic Fracturing

- HF has made the U.S. the world’s number one producer of natural gas.

- A game-changer for economic growth:
  - 2.1 million jobs are currently supported by unconventional oil and natural gas activity, and that number grows to some 3.3 million jobs in 2020 and 3.9 million jobs in 2035.

- HF will account for 90% of natural gas development in the future.

- Low energy costs (abundance of natural gas) is giving U.S. manufacturers an advantage over many global competitors.

- According to NAM the high recovery of shale gas and lower natural gas prices will help U.S. manufacturers employ 1,000,000 workers by 2025.

- The combination of hydraulic fracturing and horizontal drilling are proven technologies that provide environmental benefits because less wells are drilled, there is a smaller footprint, recovery is optimized, there is less produced water, less drilling waste, and - for hydraulic fracturing - protection of groundwater resources.
Hydraulic Fracturing Issues

- **State v. Federal HF Regulation**
  - EPA rumored to be working on baseline regulations

- **Severance Taxes**
  - Ohio

- **Chemical Disclosure**
  - FracFocus

- **Burdensome Regulation/Permitting**

- **Bans/Moratoriums**
  - Maryland
  - New Hampshire
  - Indiana – preemption on localities banning HF
  - Tennessee

- **Landowner-Industry/Royalties**
  - Pennsylvania
Hydraulic Fracturing Issues

- Silica Sand
  - Minnesota
  - Wisconsin

- Local/State Ballot Initiatives
  - Colorado
  - Michigan
  - Ohio
  - New Mexico
“Five years, five federal reviews, dozens of public meetings, over a million comments and one conclusion — the Keystone XL pipeline is safe for the environment…This long awaited project should now be swiftly approved. It’s time to put thousands of Americans to work…”

API CEO Jack Gerard”

- The final EIS: KXL will have “limited adverse environmental impacts” during construction and operation.

- Oil sands development can create more than 500,000 new U.S. jobs and generate $775 billion in GDP by 2035.

- KXL will generate as many as 42,000 new U.S. jobs during construction alone, putting $2 billion in workers' pockets.

- There are at least 2,400 American companies in 49 states already involved in the development of Canada’s oil sands.
Local Anti-KXL Initiatives along pipeline route in Nebraska

South Portland, Maine Ballot Initiative/Post-Campaign Moratorium

New Hampshire Pipeline Legislation

11 States have pass resolutions supporting the approval of KXL:

Arkansas, Florida, Indiana, Kansas, Kentucky, Mississippi, Missouri, North Carolina, Ohio, Pennsylvania, and Tennessee
Petroleum coke is a solid product of the refining process. We get many products from a barrel of crude oil (e.g., gasoline and diesel), and petroleum coke is another.

Petroleum coke is a valued commodity around the world. There has been a global market for petroleum coke for decades.

Petroleum coke is an essential fuel that is used in industrial applications and manufacturing processes including the production of steel, aluminum, and other specialty products.

Petroleum coke is produced from all types of oil – including light, sweet crude oil and Canadian crude.

MSDS sheets for petroleum coke indicate it is a non-toxic and non-carcinogenic. The EPA does not consider petroleum coke a hazardous product.

The United States Environmental Protection Agency classifies petroleum coke as a “traditional fuel” that has been historically managed as a “valuable fuel product.”
Propane Issues

- Propane is produced from natural gas at processing plants and from crude oil at refineries.
- Propane produced from natural gas has been the fastest-growing component of overall U.S. propane supply.
- Propane production in the United States has set record highs on an almost weekly basis in 2013 as a result of increased oil and natural gas drilling.

Why Are There Shortages?

- A record crop harvest combined with wet weather in the Midwest – led to reduced regional supplies
- Prolonged cold weather led to record level demand.
- Infrastructure difficulties (e.g. refinery offline, limited terminal storage and transportation capacity)
Anti-fossil fuel organizations and affiliated college students have recently begun championing the “divestment” issue across the country – aimed at investments in oil and natural gas stocks.

Oil and natural gas company stocks outperform all other asset classes in public pension funds and college/university endowments

A recent study by Sonecon shows that from 2010-2011, oil and natural gas stocks achieved returns of almost 53 percent, far better than the pension funds and endowments’ performance as a whole and the performance of the S&P 500.
Federal Issues

- **KXL**
  - 42,000 jobs; $2 billion in to workers pockets

- **RFS**
  - 10% “blendwall”; harmful to consumers and industry

- **Offshore – 5 year Leasing Plan/Atlantic OCS/E.Gulf of Mexico**
  - 280,000 new jobs; $23.5 billion per year to the U.S. economy (Atlantic OCS).

- **Energy Infrastructure**

- **Crude Exports**
  - $70 billion in U.S. upstream investments by 2020; increased production of 500,000 barrels per day; $6.6 billion in annual savings for American consumers by 2020.

- **LNG Exports**
  - 5 LNG Export Apps Approved – 20 waiting; job growth between 73,000 to 452,000 between 2016-2035, and GDP gains could amount to between $15.6 billion and $73.6 billion annually.

- **Tax Reform**