



U.S. Senate
Committee on Commerce, Science and Transportation
"A Growth Agenda: Reducing Unnecessary Regulatory Burdens"
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Good morning Chairman Thune, Ranking Member Nelson, and members of the Committee. Thank you for the invitation to speak today about the opportunities to promote a pro-growth agenda by reducing regulatory burdens and to discuss areas where we can collaborate to create a more workable regulatory framework.

The American Petroleum Institute is the only national trade association representing all facets of the oil and natural gas industry, which supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. API's more than 625 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms.

America is now the world's leading producer and refiner of oil and natural gas, a reality that was unimaginable just a decade ago. We've transitioned from an era of energy scarcity and dependence to one of energy abundance and security. The developments of the past decade have brought cost savings for American consumers, good paying jobs, renewed opportunities for U.S. manufacturing, a stronger economy and greater national security. And record U.S. production and refining is happening alongside greater environmental progress: CO2 from power generation is down to 25 year lows, thanks in large

part to greater use of natural gas. Also, cleaner burning transportation fuels and industry investments in emissions reducing technologies have enabled reduced emissions of criteria air pollutants.

In 2015, energy-related savings put an extra \$1,337 back in the pocket of the average American family, and AAA reports that drivers saved as much as \$550 in fuel costs. Energy abundance is helping to cut energy and material costs for American manufacturers and to attract manufacturing back to the U.S. Electricity costs for domestic manufacturers are 30-50 percent lower than our foreign competitors, and overall manufacturing costs are now 10 to 20 percent lower than those in Europe and could be 2 to 3 percent lower than in China by 2018, an important competitive edge.

Technological innovations and industry leadership have propelled the oil and gas industry forward despite the unprecedented onslaught of 145 new and pending federal regulatory actions targeting our industry. The time has come to review these regulations and to have a frank discussion about the costs and the benefits to the American people.

For example, on methane, the previous administration proposed an expensive and unnecessary regulatory approach that ignored industry's accomplishments in favor of a government-run program that could mean an additional \$800 million in annual costs. Industry's own leadership on emissions have led to a 15 percent reduction in total annual methane emissions since 1990, even as U.S. natural gas production increased 45 percent.

Then, the BLM, an agency with limited regulatory authority over air emissions, stepped in with its own methane regulation, which could cost more than \$400 million per year. It's no wonder that from 2010-

2015, U.S. federal onshore natural gas production decreased 18 percent while production on state and private lands increased 55 percent.

Other actions by the previous administration that should be reviewed include removing lease areas from the Five-Year Plan, resulting in 94 percent of federal offshore acreage being off-limits to energy development. These decisions place a roadblock in front of a potential for nearly 840,000 new jobs and \$200 billion in cumulative government revenue through 2035 while largely ignoring America's strategic energy future.

In another example, directly under this Committee's jurisdiction, PHMSA has strayed from a risk-based approach in its proposed natural gas transmission rule that diverts resources from areas of highest risk to areas of lower risks. The EPA, Coast Guard, and more than 20 states have formed a confusing patchwork of rules that defines the current regulatory framework for ballast water treatment on vessels that are needed to transport our products to consumers. I'd like to extend a thank you to Chairman Thune, Ranking Member Nelson and this committee for passage of the Commercial Vessel Incidental Discharge Act last week to address these concerns.

This week, we support the efforts of Congress as it takes the first step to pull back a number of these ill-considered and hasty regulations under the CRA. These include Section 1504 of Dodd-Frank, which places U.S.-based energy companies at a competitive disadvantage in the world marketplace, and BLM's methane regulations, which are technically flawed and redundant to state regulation. Furthermore, we look forward to the anticipated CRA resolution on EPA's redundant and unnecessary Risk Management Program rulemaking.

The oil and natural gas industry remains committed to regulatory structures that promote safety, environmental protection, and responsible operations and it continues to look for ways to collaborate with regulators. Since 1924, API has been the leader in developing industry standards that promote safety and reliability through the use of proven engineering practices under an ANSI-accredited process. Nearly 400 API standards are cited throughout federal and state regulations.

Our industry actions and standards go above and beyond the regulatory framework. For example, before PHMSA issued its recent tank car rule, industry had already adopted and started implementing a standard that exceeded federal requirements. One of the industry's hallmark standards, Pipeline Safety Management Systems, ushered in a culture of safety that can be applied broadly across our industry.

Federal regulatory policy can either strengthen or weaken the U.S. energy renaissance, with impacts that extend far beyond our industry. Regulatory actions should be rooted in sound science and data, with a consideration of the costs and benefits. With these goals in mind, we stand ready to work with Congress and the administration to find reasonable solutions to the challenges before us.