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April 18, 2018

The Honorable Lawrence Kudlow  
Director, National Economic Council  
Room 235  
Eisenhower Executive Office Building  
Washington, DC 20502

Dear Mr. Kudlow:

The Independent Petroleum Association of America (IPAA) congratulates you as you assume the directorship of the National Economic Council. IPAA is the leading, national upstream trade association representing thousands of independent oil and natural gas producers and their service companies across the United States. Independent producers develop 95 percent of the nation's oil and natural gas wells. These companies account for 54 percent of America's oil production, 85 percent of its natural gas production, and support over 2.1 million American jobs.

You have long been aware of the key role of American oil and natural gas production to the U.S. economy and as a means to achieve foreign policy goals through exports. In your new role, IPAA urges you to promote policies that encourage American energy production without implementing policies that artificially advantage one fuel over other sources.

As you stated, "U.S. oil production has nearly doubled in recent years to 9 million barrels a day. This is not only a triumph of U.S. energy independence, it is a victory for the workings of the free market." The role of natural gas, with its environmental benefits, is equally compelling. Data from the U.S. Environmental Protection Agency's draft 2018 Greenhouse Gas Inventory show that oil and natural gas system methane emissions declined from 2015 to 2016, continuing a downward trend since 1990 that has come at the same time production has skyrocketed.

All energy sources have experienced cycles in production and/or demand. The decreased demand for coal and nuclear energy, due in large part to the abundance of lower-cost natural gas, is particularly notable. However, recent efforts by owners of coal-fired and nuclear generators for special treatment within electric markets would lead to bad policy and negative implications for gas-fired generators. The Federal Energy Regulatory Commission (FERC) is taking a measured approach in response to the proposal presented by the Department of Energy (DOE) to determine resiliency in organized electric markets by an arbitrary assessment of a generator's fuel supply on hand. That process continues at FERC, with organized markets having submitted responses to FERC, and comments on those filings due in May. IPAA joined with a broad group of renewable and natural gas groups to oppose the DOE plan, arguing that grid reliability is not at risk and that the requested changes would amount to an unwarranted bailout of coal-fired and nuclear generators.

In late March, FirstEnergy Solutions filed a request with DOE for issuance of an order pursuant to Section 202(c) of the Federal Power Act, requiring PJM Interconnection, L.L.C. to pay certain nuclear-powered and coal-fired generators "...cost-based rates that provide for full cost recovery...." Many of the same groups that argued against the DOE proposal filed a letter with DOE Secretary Perry urging that DOE provide notice and a meaningful opportunity for all stakeholders to comment, prior to any affirmative decision by DOE.

IPAA supports an all-of-the-above policy when it comes to development of America's energy resources, a policy based on recognizing the realities of the national energy marketplace. We will look forward to working with Francis Brooke when he assumes his position in helping craft American energy and environmental policy. We urge you to encourage all fuels—a result that can only be achieved by rejecting calls to artificially inflate one source over another.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry Russell". The signature is fluid and cursive, with a large initial "B" and "R".

Barry Russell  
President and CEO

Cc: Francis Brooke