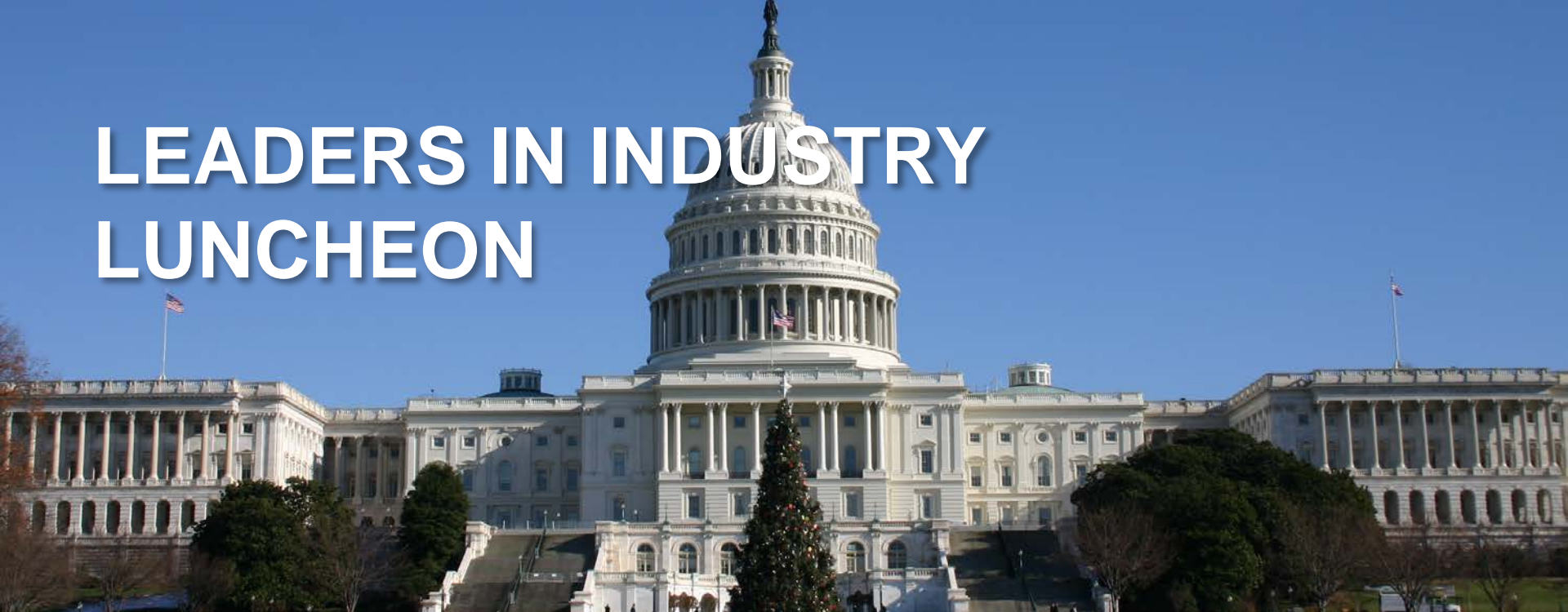


LEADERS IN INDUSTRY LUNCHEON



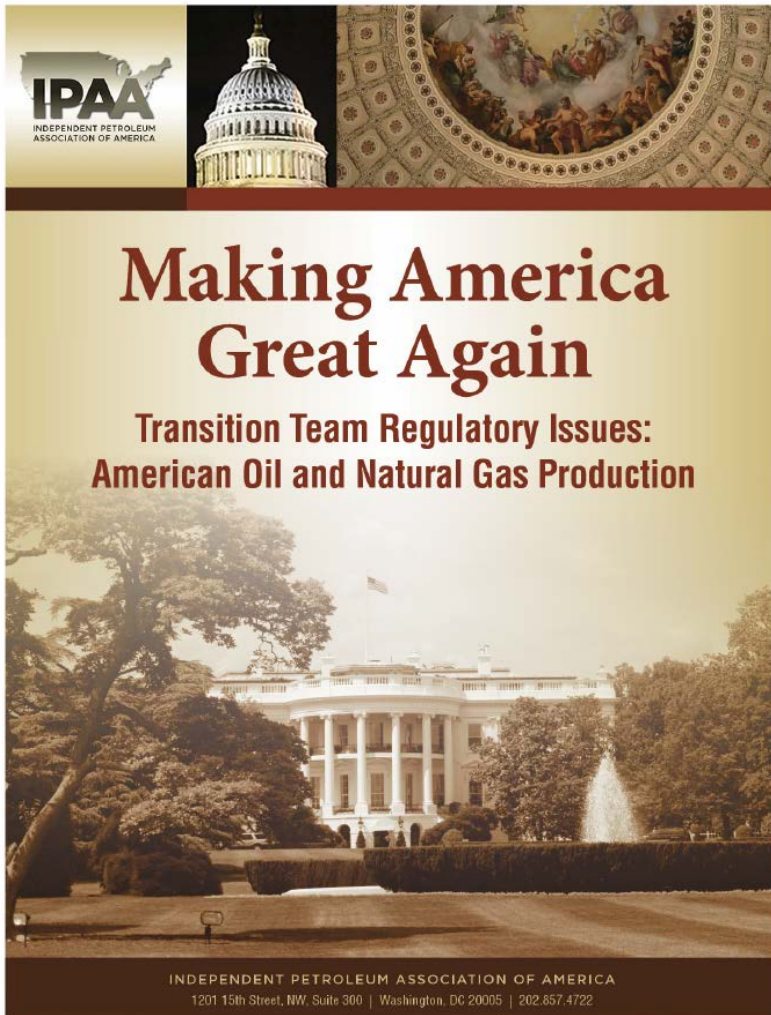
New Administration
New Congress
New Opportunities

Inherited Challenges

- NEPA Guidance on Effects of Climate Change from Greenhouse Gas Emissions
- Social Cost of Carbon Regulatory Impact Analysis
- BLM Mitigation Policy
- BLM Drilling Regulations
- BLM Venting and Flaring Regulations
- EPA New Source Methane Regulations
- EPA Existing Source Methane Regulations and Information Collection Request
- EPA RCRA Litigation Settlement
- BLM Onshore Royalty Regulations
- BOEM Offshore Air Regulations
- BOEM Offshore Five-Year Plan
- EPA Effluent Limitations Guidelines
- EPA Ozone National Ambient Air Quality Standard (NAAQS)
- EPA Waters of the United States (WOTUS) Regulations

Inherited Challenges

- Numerous lawsuits are pending challenging the Obama regulations
 - WOTUS
 - Ozone NAAQS
 - BLM Drilling Regulations
 - EPA Methane Regulations (Subpart OOOOa)
 - BLM Venting and Flaring Regulations



Transition

- Immediately after the election, IPAA developed issues and recommendations for the incoming Trump Administration to address after the Inauguration
- 51 issues for action divided into 5 categories – Executive actions, policies, potential regulations, regulations in litigation and regulations in place

Early Actions

- Trump Administration
 - Actions to move forward on Keystone and Dakota Access pipelines
 - Regulatory reductions for new regulations & Regulatory budget
 - Permit Streamlining Action Plan
 - Regulatory Reform Task Forces
 - Waters of the United States
 - Terminated Methane Regulation Information Collection Request

Early Actions

– Congress

- Congressional Review Act (CRA) allows Congress to terminate recently finalized federal regulations
 - Provides an opportunity to review and remove regulations pushed through in the final days of an Administration
 - Has to pass House and Senate and the President must sign
- CRA Resolutions
 - Dodd-Frank Section 1504 Reporting Regulations (required U.S. oil and gas industry to disclose all payments to foreign governments, putting domestic industry at a competitive disadvantage) – passed House and Senate; approved by President
 - BLM Venting and Flaring Regulations – passed House, struggling in the Senate
 - BLM Resource Management Plan Revisions – passed House and Senate, awaiting President's signature

Opportunities

– Pending Litigation

- Many regulations are under litigation – BLM Drilling Regulations, Subpart OOOOa, BLM Venting and Flaring Regulations, Ozone NAAQS
- Trump Administration can change the former Administration's position on regulations and settle cases
 - Announced its intent to restructure the WOTUS regulations and acting to end litigation
 - Complicated by parties in the lawsuits opposing the regulations as excessive or as inadequate
 - Changing positions on the regulations that have been sustained or rejected by lower court rulings complicates future regulatory options
- Environmentalists will challenge settlements

Opportunities

- Regulatory Actions and Reforms
 - Trump Administration wants to eliminate two existing regulations for each new one
 - Eliminating regulations requires the same process as creating new ones
 - Proposal, comments, final revisions, promulgation
 - Eliminating will require the government to justify that its basis for promulgating the initial regulation is now incorrect

Potential Hurdles

– Regulatory Actions & Reforms

- Agency staff issues can undermine effort
 - Delaying the regulatory development process to prevent completion during the next four years
 - Inadequately supporting the justification for the revisions could open them to reversal during inevitable litigation
- Reducing staff can adversely affect action
- Opportunities for challenging revised/repealed existing regulations will grow dramatically

Potential Hurdles

– Legislation

- Many issues may require legislation to succeed
- Congress largely remains subject to gridlock
- Some issues may need to await 2018 election where substantial Republican Senate majority is possible
 - 25 Democratic Senators (2 are Independents that caucus with Dems) up for re-election
 - » Trump won 10 of those states
 - 8 Republican Senators up for re-election

Delegation to States

- Trump Administration indicates that it wants to delegate regulatory authority to states
 - Key federal laws written with a structure that relies on state agencies as the principal regulator
 - States must seek delegation; states need money to run program that is authorized in federal law but not necessarily appropriated
 - » Congress needs to fund the state authority
- Barriers to delegation need to be identified and eliminated
 - Some legislation may be necessary

Industry Role

– Industry

- Maintain an active litigation role to resolve existing litigation and respond to new environmentalist actions
- Expand presence in regulatory arena to support reform actions and provide information to regulation dockets
- Support state delegation requests and both federal and state funding
- Develop grassroots responses to counter aggressive environmental efforts to increase state regulation and opposition to permits

The Opposition is Better at ...

- Social Media
- Emotional argument
- Willingness to engage
- Getting publicity





Tax Reform

– When

- After Obamacare repeal/replace/reform
 - Much harder to do than it appears
 - May drag out far longer
- House is talking about some action by the August break but what is unclear
- Trying to crush into several months actions that typically take several years

Tax Reform

– How

- Republicans would like to pass tax reform under regular order
 - Democrat opposition in Senate makes that path unlikely in this Congress
- Budget Reconciliation provides an alternative approach with pros and cons
 - Reconciliation prevents filibusters in the Senate and provides for a simple majority final vote
 - Reconciliation limits changes that increase deficits beyond 10 years after enactment
 - » Triggered the 2010 and 2012 crises over the Bush tax cuts

Tax Reform

– What

- Budget rules compel development of a revenue neutral or revenue raising tax reform proposal
 - Some indications that Congress may try to waive this constraint
- Status
 - House Republican leadership has a blueprint but no detailed language
 - Trump Administration promises a proposal soon
 - Senate is quietly looking at options while awaiting House action

Tax Reform

- House Blueprint generally positive
 - Lower rates – 20% corporate rate, 25% pass through entities, 12%/25%/33% individual rates
 - No AMT
 - Capital expenditures amortization – One year
- Offsetting revenue approach controversial
 - Border Adjustment denying deductibility of costs of imports while allowing deduction of export sales
 - Changes in revenue options could limit extent of reform if revenue neutrality retained
- Transition to a new tax code