

POLICY INITIATIVES OF PRESIDENT TRUMP'S CABINET:

A PERSPECTIVE ON ENERGY

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The Trump Administration has just marked its first year in office, and extensive work is being done by each of the cabinet secretaries. Every month for your background information, we will issue a special report on one of the secretaries' efforts. Here is the first report, on energy.

When former Texas Governor Rick Perry took over the Department of Energy, the oil and gas industry was encouraged. As governor, Perry had extensive experience dealing with the industry, since energy production and refining are the lifeblood of the Texas economy.

Perry has been objective and balanced since he became Secretary, and in the past year the industry's expectations of a friendlier reception to its wants and needs have largely, but not entirely, been met.

Most important, the Country has a defined energy program that is moving the U.S.A. into the future.

The United States this year will forge ahead of Saudi Arabia in energy output and challenge Russia as world energy leader. The Administration says that one of its paramount goals is to increase oil and gas production and become a much larger energy exporter.

President Trump's decision to overturn President Barack Obama's ban on offshore drilling and open America's coasts to oil and gas exploration (acceding, however, to Florida's request for an exemption) was widely criticized. So was the provision in the tax bill to open the long-protected Arctic National Wildlife Refuge to drilling, along with the President's approval for the Keystone XL pipeline and his decision to take the U.S. out of the Paris climate change pact.

However, not so widely publicized were a number of regulatory changes that affect the energy industry and have a significant impact on the United States.

Citing his intention to reduce regulatory restrictions on the energy industry, Secretary Perry has asked the Department of Energy to “streamline natural gas exports,” change the way national laboratories conduct research into energy technology, review the necessity for and enforcement of regulations under the National Environmental Policy Act and review the department’s program to make consumer appliances more energy efficient.

“I look forward...to freeing the energy sector from unnecessary regulatory burdens,” Perry said. On balance, he has made progress toward his stated goals. There remains a lot to be done, however.

Now, some perspective:

The Department of Energy is being joined in its efforts to reduce constraints on oil and gas drilling by other agencies. The Interior Department’s Bureau of Ocean Energy Management is proposing to revise or eliminate regulations on offshore drilling equipment.

The Bureau of Land Management is finalizing a proposal to repeal regulations that limit hydraulic fracking on federal lands. Critics suggest this could lead to more earthquakes.

Last month, the Federal Energy Regulatory Commission, which oversees regional electricity markets, rejected a proposal from Secretary Perry to guarantee financial returns for power plants that can stockpile at least 90 days’ worth of fuel on-site, which would have had the effect of subsidizing coal and nuclear units. Perry argued the measure was needed to ensure the “reliability and resiliency of our nation’s grid” in the event of blackouts. But critics countered that blackouts usually occur because of problems with transmission lines, not because power plants lacked sufficient fuel reserves, and the commission agreed. Expect this issue to be joined in the months ahead.

Of significant concern, the Pentagon just released a report that the nation's training bases, airfields and other military facilities, both at home and overseas, are vulnerable to the effects of climate change such as flooding, drought and extreme temperatures, all of which would have an "unacceptable impact."

The President has called for "bringing back" America's declining coal industry, saying in his State of the Union speech, "We have ended the war on American energy and we have ended the war on beautiful clean coal". The number of coal jobs did grow in 2017 by 771 to a total of 54,819, mostly in West Virginia, Virginia and Pennsylvania. But U.S. utilities continue to shut down coal-fired power plants to shift to cheaper natural gas, which emits half the carbon dioxide of oil or coal.

Environmentalists have not permitted the Administration's efforts on behalf of the fossil fuel industry to go unchallenged. In the first six months after the President took office, environmental groups filed more than 50 lawsuits in an effort to block weakening or rescinding dozens of rules and regulations, many of them proposed, but which had never gone into effect.

In this environment, Secretary Perry is working to help the financially strapped utility industry. He called for the DOE to give three Georgia utilities \$3.7 billion in loan guarantees to complete two reactors on top of \$8.3 billion in government loans already provided. Critics say even the new loans will not be enough to finish the project, which has been over budget and behind schedule for years.

One of the key challenges at the DOE, as at many other departments and agencies, is many key jobs remain unfilled including, for example, the post of Director for Nuclear Energy.

In his State of the Union speech, President Trump announced that the U.S. is now "proudly" an exporter of energy to the world. That has been true for decades. The President is correct in that the amounts we export have increased.