

## **Economic Club of Florida**

Thank you all very much. It's great to see friends and esteemed API alumnus Dave Mica, and it has been terrific meeting so many of you.

I truly appreciate the hospitality of everyone here at the Economic Club, including President Lo Bielby and Chairman Barney Bishop. It was especially nice of you to make time for me just before a holiday weekend.

In case you haven't met him already, I'm joined today by my API colleague Gifford Briggs. Gifford heads up our Gulf Coast regional office, right here in Tallahassee. As America's largest and longest-serving natural gas and oil advocacy organization, API has a long history in this state, along with some terrific Florida businesses we are proud to have as members.

The Sunshine State is always a favorite stop for me. As you know better than anyone, Florida's economy stands out in America today, because Florida is doing a lot of things right. But even here, with so many good trends, there's still concern about the big picture. Everything we saw in my introductory video shows what we could lose at home if we stop our own march toward energy independence.

Right now it's pretty natural to be concerned about the state of our country, our economy and our national security. For one thing, we're seeing the harm that historically high inflation can do at home. No American younger than 50 has had that experience before; it has people worried and stretched for resources. Across the Atlantic, we're all following news of the war in Europe, with its tragic scenes that remind us of another era.

I think back into history, at the height of World War Two. Britain had a severe energy shortage. Supplies from the Middle East were hindered by enemy movements, and oil tankers were under attack by U-boats, which were devastating allied shipping. England at the time had an oilfield near the famous Sherwood Forest. What it didn't have were men with the experience and the equipment to put that oilfield to maximum advantage.

In the short of it, crews and drilling rigs from a small town in Oklahoma soon arrived. They drilled nearly a hundred wells and quickly increased production by tenfold. Everyone was amazed by the skill and speed of these American roughnecks, who did all of this without enemy intelligence ever even learning what they were up to. The job done, our men came home.

It took time for recognition to come their way. But now in Ardmore, Oklahoma, there's a statue known as the Oil Patch Warrior. It's an exact replica of one that stands in Nottinghamshire, England. Both monuments honor America's critical contribution to victory in Europe.

In times of challenge for our country, it never hurts to remind ourselves of moments like that, when American ingenuity made all the difference. So much in the world still depends on this nation, including our friends in Europe, and so much in this nation still depends on energy. That lays enormous responsibility on the producers, innovators, and risk-takers we represent at API. And they prove every day that this is an industry that America, and America's friends, can always count on.

We haven't always operated from a position of such strength. For most of your lifetime and mine, America was a net importer of crude oil. We built import terminals, feared "peak oil" and were beholden to foreign producers from whom we sought to reduce our energy dependence. Then horizontal drilling, hydraulic fracturing, and other breakthroughs gave us access to immense reserves of American oil and natural gas.

This changed the whole energy picture, profoundly and for the better. Thanks to that American energy revolution, by 2019, we had become a net exporter of crude, for the first time in nearly 70 years. Five years ago, the United States became a net exporter of natural gas. And we recently became the world's number-one exporter of liquid natural gas.

Think about it: This nation has accessible oil and natural gas reserves to match any stretch of earth ruled by any regime or cartel. It was our goal for decades to break free of dependence on foreign suppliers. We talked about energy security forever, and then we finally achieved it. We worked hard to put America in that position of strength and greater energy independence. We would be foolish to ever give it up.

Don't take it from me. Government estimates say every day in this country, we use about 21 million barrels of oil. Every day, the world uses about a hundred million. A generation from now, even with renewable energy, and even if every nation were to reach its goals under the Paris Climate Agreement, about half of all global energy demand is expected to be met with oil and natural gas.

Setting ideology aside, most everyone knows that the world needs oil and natural gas in a big way and will for decades or more to come; the only question is where that oil and gas is going to come from.

Facing energy reality through that prism, you quickly arrive at a moment of clarity about the irreplaceable assets of American oil and natural gas. We see friendly nations left vulnerable, and we never want to be in that position ourselves. We see Russia concentrating on the energy-rich parts of Ukraine, trying to put still more of Europe's fuel under its control. We see global demand overtaking supply, raising costs for everybody, and while some say inflation may be "transitory," we don't want that burden to become permanent. Yet as complex as the economic picture might seem, the simple precondition for lower energy prices is greater supply.

As much as ever, we need to think hard about that economic truth and our energy future. And we must act. That means recognizing energy from natural gas and oil as the critical strategic asset it is to America.

API is a bipartisan organization, because energy production is a public good in the clear interest of everyone – Democrats, Republicans and Independents; progressives and moderates; liberals and conservatives.

But not everyone in Washington agrees with us. Often we find ourselves contending with a certain mindset that takes the industry for granted one moment, and then calls it into action the next moment.

An example is the U.S. pledge to increase gas exports to Europe – by 65 percent over the next six years. Yes, it can be done. And, yes, we're all for it. But in this case, the tools and levers to meet that goal are held up by Washington.

To get supplies on this scale to export terminals and over to Europe, we'll need access to energy on federal lands and the ability to build new infrastructure. That means laying many miles of pipelines and getting the federal and state permits to do so. When you mention details like these, it gets politically complicated. But that's just the reality. If Europe's going to get the energy, then America will need the infrastructure to get it there.

Another example of the same mindset came recently when our Secretary of Energy told an energy conference in Houston that America needs to pump more oil. That was important to hear, but at the same time we need to address policies that help impede new investment in American energy and discourage necessary infrastructure.

Contradictions and mixed signals only cause uncertainty, and they set up our country for more trouble down the road.

We can't treat oil and natural gas as a kind of switch that is turned on or off to suit the moment. Production and delivery don't work that way. Yet the overriding policy lately has been to cancel pipelines, block permits and deny leases -- all things that discourage investment.

It can be easy and fashionable to speak as if we hardly even need natural gas or oil anymore. But then any disruption occurs and once again everyone sees the truth. Now, suddenly, some policymakers want to flip the switch "on" again, but only for a short time. And when practical realities intrude, mostly what we hear from them are excuses and blame-shifting.

For instance, critics say that oil companies have all the access they need, but simply haven't been using it. Supposedly, producers are sitting on some 9,000 unused leases. The misconception here is that a lease is all you need to start producing. In reality, there's a long list of other steps and approvals that follow, and lately these hurdles have only gotten higher.

For that matter, even with the full go-ahead, it can take years to get a well from discovery to production. Right now, there are nearly 100,000 active wells on federal lands. None of them came easy. And when a lease has economic value, the last thing any company wants to do is sit on it. The real problem here is red tape. We actually need more lease sales and permit approvals, onshore and offshore, if we're going to keep production in line with future demand.

Likewise, we're told that oil companies are somehow holding back on energy development. The truth is that production is at or near its highest level in two years, as the industry labors to keep pace with the post-pandemic recovery, supply chain snags and other issues.

In fact, America's largest oil and gas producers have already committed to investing \$168 billion in 2022 alone – that's not holding back. But it doesn't help the investment environment when some policymakers came to office campaigning to transition from the oil industry.

Then there's the charge that oil companies are "setting prices." This ignores the ongoing interaction of supply and demand in a global market. Oil prices can be very hard to predict, as disappointed speculators learn all the time.



What brought prices to where they are now is a combination of bad policy, pandemic conditions, and lately the effects of war in Europe.

These conditions led to at least one new policy – to take a million barrels a day out of the Strategic Petroleum Reserve over the next six months. But this is a short-term measure. So it's reasonable to ask: Why simply increase oil supply as a temporary measure by government, when America has vast underground reserves that could expand reliable supply on an ongoing basis?

To point out the obvious, what we're dealing with here is short-term thinking that shuns certain energy realities. Washington is caught up in "the here and now," desperately improvising in the absence of a consistent, realistic, long-term energy strategy.

But there is one upside: As more Americans face the consequences of bad policy, the elements of good policy become that much more apparent and desired. We have an opportunity together to re-center the energy discussion with basic realities and good common sense as our starting point.

Thankfully, Washington can help our industry do four things fast, and we hope you'll call or write your representatives to get to work.

First, we call on the administration to develop a new five-year offshore leasing program to replace the one that is scheduled to expire in June. This is a key and legally mandated tool for American producers to plan offshore development that can take seven or more years to come online. According to a new analysis, delaying the program could result in lost production, lost jobs and lost revenues to government especially in states near the Gulf of Mexico.

Second, the administration should hold onshore lease sales on federal property as required on a quarterly basis under the Mineral Leasing Act. To put things in perspective, President Obama issued 47 lease sales onshore and offshore in the first 14 months of his administration. In its first 15 months, the current White House has conducted one lease sale that a court invalidated and the administration failed to appeal.

Third, the Department of Energy should approve all LNG export applications and seek congressional changes for swift approval of exports to non-free-trade-agreement nations.

Finally, Washington should reverse course on infrastructure decisions, specifically certain National Environmental Policy Act reforms and other permitting regulations that inhibit pipeline construction. Otherwise, it is increasingly difficult to transport energy where it is most needed.

From a global perspective, infrastructure is an underrated piece of the energy puzzle because it will be a long time before the world forgets the vital connection between reliable energy and national security. We're seeing that on the front pages and on newscasts every day.

Indeed, in Europe, our friends are questioning some fundamental energy choices made over the years. The German government, for one, long insisted there was no downside to having more than half of its imported gas coming out of a pipeline from Russia. They and others have now learned the hard way that when it comes to energy, you never want to rely on regimes and suppliers who might quickly turn hostile.

Consider this: In response to Russia's invasion, Western governments have basically banned Russian oil imports. We could not have done that without counting on the tremendous capacity of American oil producers to lead the way in making up the difference.

And now that, for the foreseeable future, the Nord Stream Pipeline from Russia to Germany is a piece of history, Germany is in urgent need of natural gas – and so is the rest of the European Union. Here, too, American producers have more than enough capacity to cover this new demand, and indeed we have already increased exports to Europe.

In previous years, the EU had been importing about 40 percent of its natural gas from Russia. And the Russian government has used its energy as a weapon against the EU. What helps Europe mitigate against this is the knowledge that energy from Russia can be replaced by energy from America.

Bottom line: If America doesn't control its energy, our fate will be in the hands of others. That alone is a powerful argument for more investment, more exploration, more innovation, to keep us in a commanding position, no matter what the future might bring.

Energy policy does not have to be an endless series of crisis-management decisions. Our aim should be to *avoid* crises – by shaping events instead of reacting to them.

Unrelenting innovation has also made for incredible progress of another kind. As we transition from coal to natural gas, the United States has become the world's leader in reducing CO2 emissions since 2000. Our members are going straight at the challenges of carbon capture, methane emissions reduction, advancing cleaner fuels, and bringing new technologies to commercial scale.

Energy use can be cleaner, energy production can be cleaner, and energy transport can be cleaner. Pursuing those three goals has made this industry better in all that we do.

After all, it's always easy to proclaim new objectives, mandates, and target dates on climate. But none of that will get us where we all want to go without action – the real and tangible environmental progress oil and natural gas companies making in American energy.

And it's worth remembering that some other oil- and natural gas-producing countries don't match our progress because they don't match our standards. Whenever we import energy instead of using our own, we are choosing not just the resources but the safety and environmental practices that go with them.

So it's better for America, and better for the world, when the producing is done right here at home.

There's a final reason why we all have a stake in America's energy leadership: Energy touches everything else in the economy.

It's a built-in cost for manufacturing, farming, transportation, health care, and practically anything we could name – including tourism and visits to Florida. Take stable and affordable energy out of the picture, and a lot of things start going wrong in a hurry. The industry's critics like to congratulate themselves on setting back production, adding more and more regulations, and restricting access to domestic reserves. But all they are really doing is hurting the American economy and adding to costs that everyone has to bear.

When national security, environmental progress, and our economic fortunes ride in part on American energy leadership, after a while the case makes itself. That helps explain why you'll find a strong outlook in the industry today. As I've learned in my time at API, energy is a line of work that tends to attract problem-solvers, people who stay focused and don't quit easily.

The industry has a long list of impressive feats of engineering to show for that quality. Its confidence is well-earned, with a history of achievement to back it up.

This is an industry so far-reaching that it directly employs 70,000 men and women just in Florida – a state where very little oil and natural gas is produced. And I could show you around places in Pennsylvania, Ohio, North Dakota, New Mexico, and elsewhere that have seen job growth and economic revival more durable and broad-based than anyone imagined was possible. That spreads out to parts and equipment suppliers, truckers, contractors, service providers, and on and on. We're talking about a powerful engine of prosperity. And I'd rather keep that engine running in America than anywhere else.

I'll close with a short thought exercise.

What's the one asset without which a strong nation is suddenly made more vulnerable?

What's the one industry that keeps every other industry going?

What kind of shortage instantly spells crisis?

The answer to each of these questions is energy, fueled by natural gas and oil. And the good news – at a time when we’re looking for some – is that no country is better positioned to provide energy security to the Western world than the United States of America.

Thank you very much.