



April 6, 2022

The Honorable Frank Pallone  
Chairman  
US House Committee on  
Energy and Commerce  
2125 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Cathy McMorris Rodgers  
Ranking Member  
US House Committee on  
Energy and Commerce  
2322 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Pallone, Ranking Member McMorris Rodgers,

Thank you for holding a subcommittee hearing today examining energy pricing – particularly in the oil market. The impact of increasing energy costs is of critical importance to American families, small businesses, and the economic and national security of our nation.

I am submitting this letter today on behalf of the American Exploration and Production Council (AXPC), a national trade association representing many of the largest independent oil and natural gas exploration and production companies in the United States. We lead the world in the cleanest and safest onshore production of oil and gas, supporting over 3.2 million jobs in the United States.

The oil and gas industry is one of the most regulated industries in America. The members of AXPC support regulations that enable American energy production, protect the environment, and address the global challenge of climate change. Our members are leading in the development of innovative technologies and other solutions to further America and the world's climate goals, while also supporting energy and national security.

Today's hearing is timely, as Americans are facing some of the highest gasoline and heating prices on record. According to AAA on March 30, the national average price for a gallon of regular gasoline is \$4.24. That price is a full \$1.37 higher per gallon than it was one year earlier on the same date.<sup>1</sup> Last fall, the Energy Information Administration warned Americans that they should expect to pay significantly more to heat their homes over the winter.

These price hikes are largely the result of demand significantly outstripping supply as the economy recovered from the pandemic, coupled with misguided policies from the Biden administration. High energy prices are exacerbated by the significant impact of Russia's invasion of Ukraine on global energy markets. International conflict and domestic regulatory policies combined are contributing directly to a significant spike in energy costs for American citizens.

#### The Causes of Price Increases

There are several factors that contribute to price fluctuations in any global commodity. Supply, demand, inflation, as well as government policy, all play a role putting pressure on the market-priced product. Oil and natural gas commodities are no different. It is important to note that prices were steadily increasing as people began to return to normal routines after two years of COVID-19 lockdown.

---

<sup>1</sup> <https://gasprices.aaa.com>

As demand for American oil has increased around the world with Russia's invasion of Ukraine, the Biden administration's policies have further challenged our industry's ability to respond. Shutting down energy pipelines, restricting development of oil and gas on federal lands, imposing burdensome and duplicative regulations, calling for punitive taxes and fees on our industry, and mobilizing the whole federal government to quickly end fossil fuel use is driving up costs that directly hurt American families and businesses. Short-sighted policies and punishing regulations have resulted in cancellations of more than 4.75 billion cubic feet per day (BCFD) of natural gas pipeline projects in the Northeast United States alone. They have also resulted in the delay of an additional 2.4 BCFD from pipeline projects. Such cancellations and delays are depriving communities in the Northeast of access to lower-cost and lower-emission-burning natural gas – despite an abundance of the fuel being located in nearby states.<sup>2</sup>

Our member companies are working to try to meet this increased demand. But sound business decisions are based on long-term assessments of market demand, rather than reacting to short-term volatility, which could result in oversupply. US oil production grew last year and output could rise as much as 900,000 barrels per day in 2022.<sup>3</sup> In the Permian Basin, America's most prolific oil-producing basin, record high oil production was reached in March 2022. However, such production does not happen immediately.

The oil and gas industry is heavily regulated by local, state, and federal agencies at each phase of the energy production process. It takes months, if not years, of planning, permitting, and preparation for one of our members to find producible reserves and then drill and complete a well before any oil or natural gas can reach the market. Sometimes, companies may invest millions into a project only to be left with a non-commercially viable well. This process includes (but is not limited to): acquiring a lease, geoseismic exploration, conducting analysis of the potential impact on the air, water, species, historical and cultural site, designing the well and other facilities, submitting necessary permit applications, obtaining rights-of-way, permitting and building associated pipelines and electrical infrastructure, and the numerous government agencies reviewing the various permits for approval.

This process is further complicated by the Biden administration's current policy of blocking new oil and gas leasing on federal lands. Energy production on federal lands has a significant economic impact on our nation and the communities where this production takes place. The Global Energy Institute estimates that during Fiscal Year (FY) 2019, oil and natural gas development on public lands contributed nearly \$76 billion to the US economy and supported approximately 318,000 jobs.<sup>4</sup> Further, policies in support of oil and gas development have a significant positive influence on market confidence of US supplies and thus help to temper pressures to inflate crude prices, in turn lower gasoline prices. AXP members feel it is imperative that US policies continue to support access to federal lands for responsible oil and gas development. The *Mineral Leasing Act* requires the Department of Interior to conduct lease sales at least quarterly. So far, the Biden administration has yet to conduct a single onshore lease sale.

---

<sup>2</sup> "USLNG Exports Support Affordable Energy, American Jobs, and Climate Leadership"  
<https://www.axpc.org/2021/12/07/uslng-exports-support-affordable-energy-american-jobs-and-climate-leadership/>

<sup>3</sup> <https://www.cnbc.com/2021/12/30/us-oil-production-to-increase-further-in-2022-oil-expert-dan-yergin.html>

<sup>4</sup> "Federal Lands and Waters Energy Development" (accessed March 2022) Global Energy Institute  
<https://www.globalenergyinstitute.org/federal-lands-and-waters-energy-development>

Despite the administration's misleading claims that the industry is sitting on thousands of leases that could immediately be used for energy production, the reality is quite different. The vast majority of approved leases are actively producing oil and natural gas. There are roughly 37,500 total oil and gas leases in effect and about 75 percent of these are currently producing.<sup>5</sup> The remaining leases are currently going through a complex regulatory approval process and/or held idle as federal decisions are challenged by costly litigation.

The notion that the industry can simply produce more immediately is false, as is the accusation that our members are gouging prices to make excessive profits. Those narratives distract from addressing the issue of delivering affordable energy to Americans. From storage levels, to additional sanctions on Russia, to how OPEC nations will respond to increased American production – there is a great deal of uncertainty right now and much still unknown about the current global oil market. Inflationary costs, labor shortages, and supply chain disruptions are further hindering increased domestic production. According to projections from the Institute for Energy Economics and Financial Analysis, inflationary pressures could lead to a 15 to 20 percent increase in capital spend for producers just to keep current oil and natural gas production levels. Those numbers could increase further.<sup>6</sup>

Excessive regulation, lack of needed pipeline infrastructure, and policies to suppress exploration and development create market volatility that results in higher prices. Our companies do not have the ability to set the price of oil or natural gas, only to make long-term assessments or investment based on capital availability, schedule, and the current regulatory environment. The best way for Congress and the administration to ensure Americans have a stable supply of oil and natural gas is by working with our industry to set sensible regulations and policies that enable us to meet demand domestically and abroad. Increasing domestic oil and natural gas production will help bring down prices for the American people and will reduce our nation's reliance on foreign sources of energy.

As President Barack Obama laid out in 2012:

*There have been a lot of misleading claims about gas prices. As middle-class families are struggling with high prices at the pump, a result of increased global oil prices, politicians have renewed their promises for \$2 gas and their misleading claims about who is to blame. One thing is clear, cheap political points and false debates won't bring down the price of gasoline.*

*The fact is, oil is bought and sold in a world market. And just like last year, the biggest thing that's causing the price of oil to rise right now is instability in the Middle East. The truth is that there is no silver bullet to address rising gas prices in the short term, but there are steps we can take to ensure the American people don't fall victim to skyrocketing gas prices over the long term. **That's why since taking office the President has been focused on a sustained, 'all-of-the-above' approach to developing new domestic energy sources, expanding oil and gas production, and reducing our reliance on foreign oil.***<sup>7</sup>

---

<sup>5</sup> "Oil and Gas Statistics" (Accessed March 2022) Bureau of Land Management <https://www.blm.gov/programs-energy-and-minerals-oil-and-gas-oil-and-gas-statistics>

<sup>6</sup> <https://ieefa.org/ieefa-u-s-dallas-federal-reserve-bank-finds-inflation-hitting-oil-and-gas-producers/>

<sup>7</sup> <https://obamawhitehouse.archives.gov/blog/2012/02/29/fact-check-all-above-approach-american-energy>

Policy Recommendations:

First, Congress and the administration can provide some stability into the market by publicly supporting American-produced oil and natural gas and the important role it plays in our nation's energy portfolio. While the members of AXPC understand the need for a diverse energy supply, global demand for oil and natural gas will remain significant for decades to come.

Second, the administration can allow for increased production on federal lands by conducting regular lease sales – which they are required by law to hold. They can also end lengthy and unnecessary review processes of routine permitting decisions. As stated above, federal lands provide a significant source of American energy; access to these lands for producers is critically important. Regularly scheduled lease sales and predictable permitting processes give companies certainty.

Third, the administration should adjust its current energy policies to authorize construction, expansion, and operation of needed-energy infrastructure, such as pipelines and export facilities, to be constructed. Pipelines are required to efficiently and safely transport energy from where it produced to where it is consumed or will be exported. Export terminals enable us to move these American-energy supplies to our allies overseas. This is especially important right now in Europe, as our allies are looking to the United States as they work to wean themselves off Russian oil and natural gas. The US Department of Energy should immediately approve the US liquified natural gas export applications that are currently pending. Further delay only hurts our relationships with our international partners abroad.

We understand the importance of examining energy prices and how it impacts every American. Thank you for the opportunity to provide this letter on behalf of the members of AXPC.

Respectfully,



Anne Bradbury

Cc: Members of the House Energy and Commerce Committee