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Government Affairs Update

By Roy Littlefield

In mid-June, we attended a Family Business Coalition meeting to discuss small business priorities in tax reform, the upcoming Senate healthcare bill, timelines for legislation/deadlines facing Congress, death tax repeal, 2704 regulations, and regulatory reform efforts.

At the meeting SSDA-AT spoke with staff from House Speaker Ryan; the House Committee on Ways and Means, Congresswoman McMorris Rodgers, Senate Majority Leader McConnell, and Senator Thune. These members have championed our issues on tax reform and other business initiatives.

In June, SSDA-AT attended a Save LIFO coalition meeting. As tax reform discussions begin to heat up, so do the possibilities of repealing LIFO. With the border adjustability proposal facing backlash, there is a possibility it could be off the table, with all other areas of revenue back on the table, including reforming or eliminating the LIFO system. It is expected that repealing LIFO could bring the federal government $70-105 billion on a one time hit.

We will remain active in the coalition and in tax reform discussions in Washington. Nearing the end of June, the Senate Republicans rolled out their proposal to repeal and replace the Affordable Care Act (ACA). As predicted, the proposal differs significantly in a number of respects from the bill that the House passed in May.

We are still reviewing the details of the proposal and determining the implications for SSDA-AT and its members. We will continue to monitor healthcare reform as members of Congress battle with shaping the legislation.

There are many differences between the House and Senate versions of the bill.

SSDA-AT had a busy month attending fundraisers, meetings on Capitol Hill, Coalition meetings, conference calls.

At the beginning of the month we attended a political fundraiser for Congressman Steny Hoyer who serves as the Minority whip in the House of Representatives. We discussed with Congressman Hoyer the important issues impacting the tire industry. Many other members of Congress attended the event and we were able to make contact with them as well.

As transportation funding continues to be a topic of discussion, SSDA-AT met with Alan Pisarski who serves as a transportation and funding advisor on the Trump transition team.

Pisarski led a discussion on funding and finance in our new world, with reauthorization behind us for a change, and a trillion dollar program of infrastructure in the wings. His particular concern has been the weaknesses in the idea of tolling the interstates as part of our future and the loss of credibility with the public as expressed in a recent special issue of Public Works Finance.

The discussion was especially timely given the elements of the Trump Administration’s infrastructure program revealed recently in the President’s Budget. We look forward to having more conversations with Pisarski in the future.
We face some very significant concerns, challenges, and opportunities on the political front. Donald J. Trump has been President of the United States of America for almost 6 months. The President thus far has used executive orders to address Obamacare, cut regulations, boost energy exploration, and adopt a far more aggressive trade-enforcement posture.

We do not attend a meeting in a regulatory agency or in a congressional office when the discussion does not turn quickly to what is happening in our country and in the world. There appears little reason to doubt that our nation and much of the broader world is at an historic juncture. Some see ominous horizons, while others see reason for hope.

We read and hear daily about the rise of populist movements, all rooted in nationalist impulses resistant to the continuation of globalization and multilateralism and its many forms; economic (eg. trade pacts and treaties), political (eg. Brexit and the European Union), communications (eg. the Internet), and the movement of people (eg. refugees). Often this results in the embrace of authoritarian political figures. Some see this as a foreboding reality. For others, it carries the promise of bringing discipline to growing disorder and awakening stagnant political and social systems desperately in need of fresh ways of thinking.

Most of the debates taking place right now are about changes to particular policies: healthcare, tax reform, immigration, and national security. All issues we are concerned with. But, as is always true, the most important changes are and will be to the character of our deliberative process, the nature of the public forum, and our capacity for self-government.

You don't need to be a free-speech expert to know the following fundamental truth: in the end, we, as individuals, or as an association or as a society or international community, are what we think, what we speak, and how we interact with one another. The outcomes of our public discourse, while important, follow rather than lead the life we live. So, is it right to ask what is happening to our collective thinking and to the public forum in this new era?

It is getting increasingly more difficult for Congress to reach a consensus on important policy issues. The new politics of characterizing and demonizing all things “foreign” bogs down our system. There are a host of perfectly legitimate differences of opinions and responses when it comes to how to address major challenges like climate change, international trade, terrorism, the integrity of national elections, or privacy and hate speech in a digital age. But this state of anger and fear that grips Washington introduc-
Political Stalemate

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As we take on these important industry issues in the political stalemate in the nation's Capitol and in the state capitols nationwide, we must do so living up to our own principles of free inquiry and fearless engagement with all ideas.

Whether it is infrastructure funding, online sales, national accounts, tariffs, Superfund cleanup sites, healthcare, LIFO repeal, tire registration and recall, social legislation addressing everything from paid leave, overtime regulations, and minimum wage, and OSHA and IRS audits, I believe passionately that active, visible, and respected associations like SSDA-AT, that represent hard working small businesses (the backbone of the American economic system), must find new and better ways to address the myriad of challenges facing our country.

Yes, we face many challenges, but we also have exciting plans and opportunities. With your continued support, SSDA-AT will continue to make a positive difference to raise the bar for the industry.

es a new and potentially threatening element into our political debates.

There is a difference between robust political debate and political debate infected to create fear and panic. All of this poses a very special obligation on politically active associations like SSDA-AT. Every position that we take must reflect the values that form the core for what we are and do. And, we must continue to speak out on those positions to decision-makers.

It will be very difficult for the moderate Republicans and the conservative “Tea Party” Republicans to reach a consensus.

On purely public policy philosophy, the moderate Republicans and the Democrats might be more likely to reach a consensus. But there seems little chance of reaching a political majority in Congress.

If Tea Party members hold firm, the only way for the President to get a bill on the much-needed infrastructure initiative would be for the Democrats to give the moderate Republicans enough votes to get a bill through. Given the current hostilities in Congress, that's highly doubtful.

I cannot imagine enough Democrats voting on a bill that could make Donald Trump the greatest infrastructure architect since Julius Caesar!
President Trump, as written in a new executive order on apprenticeship programs:

"It shall be the policy of the Federal Government to provide more affordable pathways to secure, high paying jobs by promoting apprenticeships and effective workforce development programs, while easing the regulatory burden on such programs and reducing or eliminating taxpayer support for ineffective workforce development programs."

House Votes to Repeal Most of Dodd-Frank

On Thursday (June 8), the House passed the Financial CHOICE Act of 2017 (H.R. 10), which, if signed into law, would eliminate large portions of the 2010 Dodd-Frank Act Wall Street Reform and Consumer Protection Act and give Congress more authority over certain government agencies, including the Consumer Financial Protection Bureau (CFPB).

The bill still has to go through the Senate where it seems clear that it will not have sufficient votes to pass in its current form. However, it still marks a sizable (though less high profile) move by Republicans towards fulfilling their campaign promises and dismantling another piece of complex Obama-era legislation.
U.S. Shale Booms and Depresses Oil Prices Again

U.S. oil production continues to rise relentlessly, frustrating efforts by OPEC and non-OPEC oil exporters to rebalance the global market and secure an increase in the price of crude. After a devastating slump in 2015 and 2016, the U.S. oil industry has returned to strong growth, with drilling and output rising rapidly. U.S. production is now forecast to grow by an average of 440,000 barrels per day (bpd) in 2017 and another 650,000 bpd in 2018, according to the U.S. Energy Information Administration (EIA).

U.S. crude and condensates output rose by 62,000 bpd month-on-month to almost 9.1 million bpd in March. Production has increased by more than 530,000 bpd from its recent low of less than 8.6 million bpd in September, adding to an already well-supplied global market and delaying a drawdown in stocks. Weekly estimates prepared by the agency indicate output continued to increase in April and May and now stands at around 9.3 million bpd. While the weekly estimates are considered less reliable than the more comprehensive monthly numbers, they have generally provided a good guide to trends in the monthly data.

Most of the extra output between September and March came from oilfields in the Gulf of Mexico, where production increased by 257,000 bpd, and Alaska, where output was up by 74,000 bpd. But production from fields in the Lower 48 states excluding the Gulf of Mexico, most of which comes from onshore shale plays, also rose, by 200,000 bpd. In March alone, production in the Lower 48 states excluding the Gulf of Mexico rose by 35,000 bpd to its highest level in nearly a year.

BACK TO BOOM

U.S. shale output will almost certainly rise substantially in the rest of 2017 and into 2018 given the typical six-month lag between spudding new wells and the beginning of their commercial production. Reported output for March mostly reflects wells started before the end of September 2016, when there were fewer than 425 rigs drilling for oil in the United States, according to oilfield services company Baker Hughes. The number of active oil rigs has now increased to 722, and thousands of extra wells have been drilled in the meantime, with many still waiting on completion services before starting to flow. As these wells are hydraulically fractured and connected to gathering systems, production will increase further in the remaining months of 2017 and into early 2018. The speed and scale of the surge in U.S. production has surprised most within the oil industry, even top forecasters. The EIA predicts U.S. production will hit 9.74 million bpd by the end of 2017 and 10.35 million bpd by the end of 2018. As recently as the start of the year, the agency was forecasting output of just 9.22 million bpd by the end of 2017 and 9.44 million bpd by the end of 2018. The EIA has revised its predictions for average production in 2017 up by 310,000 bpd and its forecast for the average in 2018 up by 660,000 bpd since January.

With output also rising in Brazil, Norway and several other non-OPEC countries, the scale of the U.S. boom explains why OPEC and its allies are struggling to engineer a deficit in the global oil market and push stocks down to their five-year average. OPEC and non-OPEC are making slow progress despite reported high levels of compliance with output cuts implemented from the start of 2017 and recently extended to the end of March 2018.

Ultimately, prices rather than planned cuts will rebalance the market, which will most likely require a period of flat or lower prices to curb shale growth and ensure U.S. output does not outstrip demand.
Study Finds Fracking Doesn’t Harm Drinking Water in Texas

Hydraulic fracturing hasn’t contaminated groundwater in Texas, isn’t an earthquake hazard, and has been a boon for the state’s economy, according to a study released.

The new study’s conclusions on drinking water are in line with multiple other studies of hydraulic fracturing, popularly known as fracking.

Hydraulic fracturing is the process of drilling into rock and injecting a high-pressure mixture of water, sand, and chemicals to obtain shale gas and oil, which is produced from fractured rock. Some environmentalists argue that it can harm water supplies.

The report initiated by the Academy of Medicine, Engineering and Science of Texas, based in Austin, asserted that “direct migration of contaminants from targeted injection zones is highly unlikely to lead to contamination of potential drinking water aquifers.”

To conduct the three-year study, the academy assembled a panel called the Task Force on the Environmental and Community Impact of Shale.

“In Texas and pretty much everywhere, hydraulic fracturing has not been proven to have an adverse impact on drinking water,” Christine Ehlig-Economides, a professor of petroleum engineering at the University of Houston who is chairwoman of the task force, told The Daily Signal.

The study examined the impact of fracking on drinking water.

“The average annual water use for hydraulic fracturing activities in 2011 and 2012 in Texas was about 20 billion gallons of water,” the report said, citing an Environmental Protection Agency study from last year. “Because this volume represents 0.2 percent of total water use in the state, and 0.7 percent of total state consumptive use, it might be considered small.”

The study also explored the impact of fracking in five other areas: geology and earthquake activity; land resources; air quality; the economy; and society. It found generally positive results for each.

However, in a sixth category, transportation, the report found that fracking produced a surge of trucks, damaging pavement at an estimated cost to state taxpayers of $1.5 billion to $2 billion per year.

Even so, the study concluded the oil and gas industry, including fracking, adds $473 billion to the Texas economy and created as many as 3.8 million jobs.

“Texas has had a long history of oil and gas technology for the world,” Economides said. “Has it had environmental impacts? Yes, it has since it started in the 1850s. But over that time, the industry has learned and corrected those mistakes.”

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Study Finds Fracking Doesn’t Harm Drinking Water in Texas

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Last year, the Obama administration’s Environmental Protection Agency completed a five-year study that didn’t find evidence of widespread contamination as a result of fracking. The EPA said fracking can affect drinking water “under some circumstances,” but didn’t cite any confirmed instances and determined there were too many uncertainties about existing data of contamination.

The Texas academy study cited a 2011 Groundwater Protection Council study, which found that 10 of the 211 contamination incidents examined occurred because of drilling and none was related to fracking.

The Texas academy study asserted that direct fracking into rock affecting the state’s drinking water supply “has not been observed in Texas.”

In March, a U.S. Geological Survey of 116 wells across Louisiana, Arkansas, and Texas found fracking was not a major source of chemicals and methane in drinking water wells. It concluded that the detected levels of methane were likely naturally occurring.

A University of Texas study found methane levels from well water in two Texas counties, Parker and Hood, weren’t the result of North Texas’s Barnett Shale, after a sample of 479 wells in those counties.

A Duke University study dated July 2017 noted a “lack of changes in water quality observed in drinking-water wells following the installation of nearby shale-gas wells.”
Trump Relying on Courts to Halt Obama EPA Rules, Lawyers Say

The Trump administration is placing a greater reliance on courts to block environmental regulations than any of its predecessors, according to lawyers interviewed by Bloomberg BNA.

The Environmental Protection Agency and the Justice Department have turned to the courts to endorse their actions to prevent the regulations from taking effect and freeze legal challenges. The Trump administration has used the strategy to halt several Obama-era regulations, including limits on toxic pollution from power plants, methane emissions standards for oil and gas wells, and requirements that chemical companies update their risk management programs.

These moves allow the Trump administration to quickly do away with regulatory requirements without having to engage in a full administrative rulemaking process, which buys the new administration time to revisit regulations and rewrite them as they see fit.

Specifically, the EPA has delayed compliance with the rules administratively. The Justice Department has then followed these administrative moves by asking the courts to stay the underlying legal challenges to these rules on the basis of its decision to reconsider the rules. That strategy extends to lawsuits filed by environmental advocates over the administration’s move to freeze compliance obligations, which the Justice Department has asked courts to hold off on considering until the reconsideration process is complete.

“The Trump Administration is relying to an unusual degree on seeking courts to stay proceedings while they reengage the regulatory process,” Justin Pidot, environmental law professor with University of Denver’s Strum School of Law, told Bloomberg BNA. Pidot formerly worked as an attorney in the Justice Department’s Environment and Natural Resources division.

Reconsideration Not Unusual

It is not unusual for a newly elected administration to take steps to undo existing regulations that don’t fit with its agenda. Since his election, President Donald Trump has taken steps to undo several major Obama-era environmental regulations, including carbon dioxide standards for power plants and a rule governing which waters are subject to federal jurisdiction under the Clean Water Act.

“Of course, it’s not unusual for a new administration to review pending rules initiated by a prior administration,” Andrew Stewart, an environmental attorney with Vinson & Elkins LLP in Washington, D.C. “This is particularly true when the new administration is from a different political party, and we saw this at the beginning of the Obama administration.”

What most lawyers interviewed by Bloomberg BNA find “unique” about the Trump administration is the number of environmental regulations that it is seeking to undo, the speed with which they are being undone and the way it is going about it.

Hope Babcock, an environmental law professor with the Georgetown Law School, described the strategy of reliance on the courts as “clever” because it avoids the prolonged process of withdrawing a rule under the Administrative Procedure Act that requires public notice and comment.

The administrative stay causes the rule in question to enter a “regulatory black hole” until the agencies decide how they will rewrite portions they find objectionable.

For instance, compliance dates for the 2015 power plant effluent limits rule (RIN: 2040-AF76) were to take effect in 2018, but the EPA issued an administrative stay on April 12, postponing compliance indefinitely. That rule required more than 1,000 power plants to use the best available technology that is economically achievable to regulate waste streams that are generated by the use of air pollution controls and coal gasification techniques.

Delays Draw Lawsuits

A coalition of environmental groups represented by Earthjustice challenged the delay in effluent limits, saying the EPA didn’t follow the Administrative Procedure Act in giving the public an opportunity to comment on the delay on its proposed rewrite.
The Justice Department in turn asked the U.S. District Court for the District of Columbia to either dismiss the environmental groups’ challenge or transfer the case to the U.S. Court of Appeals for the Fifth Circuit, which already froze litigation against the effluent regulation pending EPA’s review of the rule.

Stewart, who served in the Justice Department until late 2015, noted that the EPA did publish June 6 a public notice (82 Fed. Reg. 26,017) seeking comment on the postponed compliance deadlines.

Thomas Cmar, an Earthjustice attorney representing the environmental advocates, told Bloomberg BNA that the challenge, as outlined in their legal response, is over the administrative stay that EPA issued in April. At that time, the EPA failed to give prior notice or accept public comment on the stay before issuing it, a “move that is illegal” under the Administrative Procedure Act, according to Cmar.

The EPA’s subsequent move to seek comment on the delayed compliance deadlines is equally flawed, Cmar said, because the notice was issued under the Clean Water Act, not the Administrative Procedure Act. The Clean Water Act doesn’t make any provision to reconsider or postpone compliance deadlines for effluent limits once they are established, Cmar said.

Similar Treatment for Methane Rules

The EPA followed the same strategy when it came to undoing air pollution regulations (RIN:2060-AT59) on oil and gas wells that aim to limit emissions of methane, a potent greenhouse gas.

In that instance, the agency delayed implementation of the methane standards by 90 days, but again didn’t seek public comment. At that time, the DOJ followed the administrative freeze by successfully seeking a stay from the court on underlying legal challenges to the rule.

The EPA’s initial move to halt the methane regulation came days ahead of a deadline for oil and gas drillers to comply with emissions control and gas leak monitoring requirements.

The EPA published another notice June 15, where it is seeking comment to further delay compliance by an additional two years.

And Another One

Earlier in June, the EPA again gave chemical companies more time to comply with the rule that requires them to update their risk management programs (RIN: 2040-AG91). It issued a temporary stay in mid-March without seeking notice, before launching a rulemaking to delay compliance until February 2019.

The Justice Department to date has been successful in getting courts to hold cases until the underlying rules are reconsidered, but John Cruden, former assistant attorney general for the Environment and Natural Resources Division under Obama, cautioned that changing any portion of the rule, including the effective dates, “inspires litigation.”

“My own experience has been that very short time extensions often works,” Cruden told Bloomberg BNA. “However, I believe DOJ will have an uphill battle trying to defend longer extensions unless the agency fully meets the requirements of the Administrative Procedure Act.”
Too many cooks in the kitchen on tax reform?

Going into this year, the expectation was that the House would take the lead on tax reform. After all, last summer, the House released its tax reform blueprint entitled “A Better Way Forward on Tax Reform.”

However, sticking points in the House’s blueprint and statements out of the Administration have made it unclear as to which branch or chamber will be taking the lead.

The big issue with the House’s blueprint is that its primary revenue raiser is the border adjustment tax (or BAT). The BAT would place a heavy cost on imports and has met vehement opposition from a number of big players in the business community who have asserted, among other things, that the increased costs of imports that will be associated with the BAT will be born primarily by the consumers. [As an aside, if the BAT proposal went through in its current form – which is not likely, a plausible argument could be made that American consumers would in effect be funding their own tax breaks by paying more for most of the items they buy, including those purchased at Walmart, Target and the gas station to name a few. Interesting concept to think about….] While Speaker of the House Paul Ryan (R-WI) has acknowledged that changes need to be made to the proposal, he has not abandoned the concept of the BAT entirely. There has been some discussion in the Ways and Means Committee about modifying the BAT proposal to exclude certain types of imported commodities that can’t be produced domestically. However, it remains to be seen if this modification will satisfy most of the BAT’s critics.

The problem is that neither chamber has been able to come up with a better (or less controversial) revenue raiser yet. While members of the Senate have raised concerns about the BAT, as well as the House blueprint’s elimination of the interest deduction, the Senate has not yet offered its own proposal or blueprint.

To complicate matters further, the Administration has now announced that it intends to release its own tax bill this fall but wants to avoid having three different bills out of the House, Senate and White House. The logic behind the White House’s approach is a bit unclear. Leaders on the Hill seem to be wary about getting ahead of the White House in producing legislation (particularly as they still don’t have a good funding option), though it is unclear how long they will be willing to wait to take a substantive step forward on tax reform.
US oil output poised to hit 10 million barrels a day next year, breaking 1970 record, EIA says

The U.S. Department of Energy on Tuesday signaled it is now more confident that U.S. oil production will rise to 10 million barrels a day next year, the highest average annual level on the books.

The department's Energy Information Administration forecast output would surge to the historic level in 2018 after last month projecting the country would produce just shy of 10 million barrels a day next year. The previous record average was 9.6 million barrels a day in 1970.

"Increased drilling activity in U.S. tight oil basins, especially those located in Texas, is the main contributor to oil production growth, as the total number of active rigs drilling for oil in the United States has more than doubled over the past 12 months," EIA acting Administrator Howard Gruenspecht said in a statement.

The revision is another sign that U.S. drillers are taking full advantage of higher oil prices buoyed by OPEC's deal with crude exporters to limit production in a bid to shrink a global oversupply. Output in the American oil patch has surged about 9 percent to 9.3 million barrels over the last eight months.

Throughout a nearly three-year downturn, American oil companies have driven down the cost of advanced drilling methods, allowing them to pump profitably, even with U.S. West Texas Intermediate crude trading between about $45 and $55 a barrel — roughly half of peak 2014 prices.

The EIA revised down its outlook for prices in 2018 on Tuesday, raising the prospect that U.S. drillers might have to live with thinner profit margins next year.

The agency now sees WTI averaging $53.61 a barrel next year, down 2.7 percent from a forecast of $55.10 in last month's short-term energy outlook. It also revised down its price expectation for international benchmark Brent crude by 2.6 percent.

The EIA left its forecast for this year's production unchanged at 9.3 million barrels a day. It slightly upped its outlook for average WTI and Brent prices in 2017 by about 10 cents.
AHCA Meets Senate Scrutiny

With the House’s May 4 passage of its Affordable Care Act (ACA) repeal/replace bill (the American Health Care Act or AHCA), the health care bill is now in the Senate’s court. When that proposal will be ready and what will be in it remains to be seen. A working group of 13 Republican Senators has been formed to work on a Senate Republican health care proposal and has been keeping the details of their drafting largely under wraps, even within their own party. The only thing that seems more likely than not at this point is that the Senate’s proposal will differ markedly from the version of the AHCA passed by the House.

The likelihood of the Senate voting on a health care bill before the August recess is relatively low for several reasons.

First, the Senate Republicans have not reached agreement among themselves about the content of the bill. A number of moderate Senate Republicans, whose votes will be needed to pass a bill in the Senate, have publicly opposed the House bill’s cut to Medicaid expansion. Also, serious concerns and pressure have been coming from both inside and outside Congress surrounding the protections for people with pre-existing conditions, which many felt were inadequate under the House passed AHCA. In light of these considerations, we expect that the bill that comes out of the Senate will be considered to be more moderate than the House bill and may keep certain parts of the ACA. According to reports, during a closed door meeting, Senate Majority Leader Mitch McConnell (R-KY) proposed to retain the Affordable Care Act’s protections for people with pre-existing conditions who buy individual coverage. Additionally, Senator John Thune (R-SD) told the press that, at least for the short term, some of the ACA’s revenue raisers like the medical device tax, may be kept in place.

Furthermore, unlike the House, which passed the AHCA without waiting for the Congressional Budget Office (CBO) to release its analysis of the bill, the Senate is almost certain to wait for the CBO’s report on its bill to come out before a vote is scheduled.

However, a CBO analysis takes time, a commodity that Republicans are already beginning to run short of this year, especially if they are hoping to get to tax reform.

If and when the Senate passes a bill of its own, it will then be necessary to reconcile the House and Senate bills and have both chambers vote on the revised bill. This may pose challenging in light of the fact that many members in the Senate won’t vote for a bill as conservative as will likely be necessary to pass the House and many members in the House won’t vote for a bill as moderate as will likely be necessary to pass the Senate.

With all of this, some members have already raised doubts about the ability of Congress to pass a bill this year and others, like Senator Thune, have suggested that short term action may be necessary to help stabilize the ACA markets pending the passage of a comprehensive repeal/replace bill (which might not come this year).

For the President, who promised to repeal the ACA on “day one,” and Speaker of the House Paul Ryan, who is much more invested in tax reform and budget issues, the dragging pace of health care reform is sure to be a source of frustration. For the insurance marketplaces, the uncertainty about the future of the ACA and the Administration’s hostility towards the ACA is becoming something of a self-fulfilling prophecy, increasing premiums and making advance planning by companies and individuals alike more challenging.
Trump admin. proposes seismic surveys for Atlantic drilling

The Trump administration is seeking permission to use seismic air guns to find oil and gas formations deep underneath the Atlantic Ocean floor, a reversal from the Obama administration that is outraging environmental groups and some East Coast lawmakers.

The National Marine Fisheries Service said Monday it is seeking permits under the Marine Mammal Protection Act for five companies to use air guns for seismic surveys in the mid-Atlantic, from Delaware to central Florida. The air guns are so loud they can disturb or injure endangered whales and other marine mammals and increase the risk of calves being separated from their mothers. Environmental groups and many East Coast lawmakers oppose the surveys, complaining that air-gun noise can injure marine life and harm commercial fishing and tourism.

The oil and gas industry has pushed for the surveys, which would map potential drilling sites from Delaware to central Florida. No surveys have been conducted in the region for at least 30 years.

President Donald Trump signed an executive order in April aimed at expanding drilling in the Arctic and Atlantic oceans, part of his promise to unleash the nation’s energy reserves in an effort to reduce imports of foreign oil.

Under Trump’s order, the Interior Department is reviewing applications by five energy companies that were rejected by the Obama administration. In addition to providing data on potential sites for offshore oil and natural gas production, seismic surveys are also used to locate sites for offshore wind structures, pinpoint potential seafloor hazards and locate sand and gravel resources for beach restoration. Data from seismic surveys also assists officials in determining fair market value of offshore resources.

More than 100 East Coast cities and towns, a range of commercial and recreational fishing groups and an alliance representing nearly 40,000 businesses have publicly opposed air-gun blasting.

“Seismic air guns create one of the loudest man-made sounds in the ocean,” said Ingrid Biedron, a marine scientist at the environmental group Oceana. The air guns fire intense blasts of compressed air every 10 to 12 seconds, 24 hours a day, for weeks to months on end, she said. The noise from these blasts is so loud that it can be heard up to 2,500 miles away — about the same distance as a flight from New York City to Los Angeles, Biedron said.

Industry groups counter that seismic surveys have been conducted in the U.S. and around the world for decades, with little adverse impacts. “There has been no documented scientific evidence of noise from these surveys adversely affecting marine animal populations or coastal communities,” said Randall Luthi, president of the National Ocean Industries Association.

Rick Baumann, owner of Murrells Inlet Seafood in South Carolina, called seismic blasting and offshore drilling “a real threat to our way of life and our ability to provide fresh seafood to the public.”

The U.S. seafood industry “is struggling to survive,” Baumann said on a conference call arranged by an environmental group. “We don’t need our fishing stocks injured, damaged or killed.”

The fisheries service said at a news conference that air-gun operations would include measures to monitor and mitigate any harm to marine mammals, including a requirement that observers board all vessels to alert operators if a protected species comes within a certain distance; acoustic monitoring to detect marine mammals beneath the ocean surface; and required shutdowns when sensitive species or animal groups are observed.

The agency will accept public comments on the proposed surveys through July 7.
Oilsands production to rise by 500,000-bpd over next two years, exceeded only by U.S. shale

Oilsands production growth will slow in the coming years as expansion projects currently underway wrap up and new projects are sanctioned at a more measured pace, according to a new report from IHS Markit.

The research firm released its report Thursday that predicts new oilsands production will slow down after 2019, when the sector will add 100,000 barrels per day of production per year or roughly half current annual growth rates.

“In recent years – even through lower prices – it was not uncommon for oilsands production additions to average more than 150,000 or even 200,000 barrels per day annually,” Kevin Birn, director for IHS Energy said.

However, over the next two years Canadian oil production growth will be exceeded only by U.S. tight oil.

“Nearly a half-million barrels per day of new oil sands production will be added in 2017-18,” the report noted.

Brent crude bit a low of US$46.70 a barrel on Thursday, weakest since May 5 and just above six-month lows, before recovering. U.S. crude was down 21 cents at $44.52, after earlier touching a six-month low of $44.32 a barrel, on signs of high global inventory.

Birn said the reason for the production increases even through periods of depressed oil prices is that oilsands projects have long lead times and require years to move from sanctioning to first oil production.

“Similarly, decisions to defer or delay oilsands projects in recent years will weigh on growth rates after 2019. No one has sanctioned a new project since 2014, you don’t have the same amount of activity in the hopper and you have reduced investment as a result,” Birn said.

Suncor Energy Inc.’s massive Fort Hills oilsands mine was sanctioned
Oilsands production to rise by 500,000-bpd over next two years, exceeded only by U.S. shale

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in 2013 and is scheduled to begin producing this year. Canadian Natural Resources Ltd.’s Horizon expansions have similarly been under construction for year with an additional phase scheduled for completion this year. After these already-under-construction projects wrap up, IHS Markit predicts that future oilsands growth will be dominated by smaller expansion projects rather than new greenfield ones like the Fort Hills project.

At forecast growth rates, IHS expects total oilsands production to rise from current levels of 2.7 million bpd to 3.6 million bpd by 2026.

The IHS report’s predictions are similar to the Canadian Association of Petroleum Producers’ annual crude production forecast released June 13, which shows oilsands production is set to grow to 3.65 million barrels per day by 2030.

“There is slower growth anticipated further out in the forecast due to: longer term price uncertainty; the impact of burgeoning U.S. shale supplies on the global market; and the impact of federal and provincial climate change policies on relative competitiveness,” the CAPP report states.

CAPP’s report also showed capital investment in the oilsands falling each year since 2014, when it reached $34 billion, to an expected $15 billion this year. However, Birn said there was potential for further oilsands growth with new processes.

“The oilsands has always been a story of innovation and it is too soon to rule out the potential for technology to change the game in the oilsands,” Birn said, noting that technological innovation could further increase production.
Texas oil payrolls increased by 3,300 jobs in April, Dallas Fed says

Oil company payrolls rose by 3,800 jobs across the United States in April, and nearly all of that expansion came in Texas, where drillers are flocking to tap into the prolific Permian Basin, the Dallas Fed said.

Explorers hired another 920 people in Texas while oil field services companies brought another 2,380 workers on board. The hiring of 3,300 Texans in April marked the fifth month in a row of job increases across the oil patch, a recovery that comes after a brutal downturn that cost Texas one in three of its oil workers.

Texas had about 214,100 oil industry jobs in April, up from around 200,000 during the worst of the oil bust this time last year, when the number of U.S. drilling rigs dropped to a record low of 404.

But if oil prices continue to languish below $45 a barrel, the surge in drilling may not carry over into next year, and the recovery in the job market could be short lived.

"There will be little change to drilling activity this year but spending budgets will start to be cut for 2018," said James West, an analyst at the investment bank Evercore ISI.
Dear SSDA-AT,

America’s oil and natural gas industry supports commonsense regulation, but a duplicative Bureau of Land Management (BLM) rule regulating methane emissions is a solution in search of a problem.

Methane is natural gas, so U.S. producers are highly incentivized to capture it for delivery to American consumers. It’s not surprising, then, that methane emissions associated with the natural gas industry declined by 16 percent from 1990-2015 while natural gas production increased by 55 percent, according to Environmental Protection Agency (EPA) data. Between industry innovations and existing regulations from EPA and the states, another layer of rules by BLM, which lacks the authority and expertise to regulate air quality, is simply not necessary.

Adding a redundant, technically flawed regulation could impede U.S. energy production, potentially reducing the availability of affordable domestic energy to the American consumer and decreasing revenues to the federal government. This is a flawed approach, failing to incentivize compliance, imposing additional costs on businesses and failing to ensure a fair return for taxpayers.

Fortunately, the Interior Department has “flagged” the rule “as one we will suspend, revise or rescind given its significant regulatory burden that encumbers American energy production, economic growth and job creation.” Interior continues: "The rule is expected to have real and harmful impacts on onshore energy development and could impact state and local jobs and revenue. Small independent oil and gas producers in states like North Dakota, Colorado and New Mexico, which account for a substantial portion of our nation’s energy wealth, could be hit the hardest.”

Also at risk is the progress we’ve made in cutting greenhouse gas emissions. Greater use of natural gas is the primary reason carbon emissions from U.S. electricity generation are near 30-year lows. Regulations that could stifle production of clean-burning natural gas threaten to undermine the emissions reductions it has achieved.

Thanks to technological advances, the United States leads the world in production and refining of natural gas and oil and in reduction of carbon emissions. It’s this innovation – not unnecessary, costly and duplicative regulation – that makes this success possible.

We look forward to working with the Congress and the Department of the Interior to prioritize oil and natural gas production to benefit the consumer, to enhance our nation’s ability to further reduce emissions, to provide jobs, and to generate much-needed revenue for the federal Treasury.

Sincerely,

Jack Gerard
President and CEO
API
What we have been up to:

•SSDA-AT joined a large coalition signing on to a letter to the Senate about the tax treatment of health benefits, including preserving the income exclusion for employer paid group health premiums. See attached for this letter.

•On May 23, 2017, SSDA-AT participated in the National Small Business Forum which featured presentations from, and dialogue with, high level staff from the Internal Revenue Service (IRS).

Federal Update

Congress now has less than thirty days in session before both chambers are scheduled to adjourn for August recess. When Congress comes back into session after Labor Day, most of the attention will immediately turn to the budget for fiscal year 2018 (which starts on October 1, 2017).

In fact, members of the Administration have already been on the Hill testifying about the Administration’s budget priorities.

With all the excitement in the Senate Intelligence Committee sucking up most of the political bandwidth recently, and in light of the limited days that Congress has before recess, there are still many priorities for members.
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