

Mike Sommers – API President and CEO

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The Economic Club of Pittsburgh

AS PREPARED FOR DELIVERY:

Thank you, Risa, it's great to be with you today. I'm Mike Sommers, President and CEO of the American Petroleum Institute. Before we begin, I'd like to thank the Economic Club of Pittsburgh for having me.

Pittsburgh is one of the energy capitals of the world. The resourceful basins that surround you have transformed your city, state, the region, our nation and the globe.

1. Without Pennsylvania energy resources, America wouldn't be the world's top producer of natural gas and oil – reversing decades of foreign imports.
2. Without support from Pennsylvania natural gas, America couldn't have [reduced](#) power-related CO2 emissions 40% in the past 16 years – outpacing coal as the top source of U.S. electricity generation.
3. And without Pennsylvania natural gas, America wouldn't be in a position to [continue](#) exporting environmental progress – in the form of LNG – all over the world to power both a growing population and reverse energy poverty.

Energy leadership is one way Pennsylvania lives up to its billing as The Keystone State. A “keystone” is the piece at the crown of an arch that locks the other pieces in place. That's a good metaphor for Pennsylvania's role in America's energy story.

Our story is marked by problem solvers like Sue Gumble, whom I met in Northeast Pennsylvania last month. Sue completed a two-year program at Lackawanna College and today is the Program Director at the college's new School of Petroleum and Natural Gas.

She's a bit like that keystone for the region. Sue educates future generations of natural gas and oil workers and is a feeder to our industry. Her students receive [free access](#) to API's world-class engineering and operations standards that support safety and sustainability in the field. Together with Sue, we are arming future problem solvers with relevant industry knowledge to start their energy careers. And API is bringing this program to more institutions nationwide.

It starts in places like Pennsylvania, where our industry “locks the other pieces in place” for students, families, communities and a world demanding more energy than ever.

Thanks in large part to Pennsylvania, America has reduced dependence on foreign producers and increased reliance on our own resources – cleaner, safer and better. And it's important to note that energy is *everything*. It's not just your car's gas tank.

It's about a region's jobs and economic growth. And it's about the products Americans need each day and what other industries – from manufacturing to agriculture to construction – depend on.

Take the \$6 billion Pennsylvania Petrochemicals Complex that Shell is building in Potter Township, about 30 miles northwest of the Steel City.

Expected to open next year, the plant will [use](#) low-cost ethane from shale gas producers in the Marcellus and Utica basins to produce millions of tons of polyethylene each year. That chemical is used in a range of products, from food packaging to Tupperware to makeup and auto parts.

According to Shell, more than 70 percent of North America's polyethylene customers are within a 700-mile radius of Pittsburgh – a nexus of energy commerce and prosperity. At least 600 people will be employed full-time at the plant.

The President of the Pittsburgh Regional Alliance [said](#): "This is not just about petrochemicals. What is happening here will send a much broader message about economic development for the entire region."

Projects like that are [transforming the region](#). According to a new Pricewaterhouse Coopers study, Pennsylvania's natural gas and oil industry directly and indirectly [supported](#) nearly a half million jobs across the commonwealth's economy in 2019. For comparison's sake, Pittsburgh's total population is about [300,000](#).

In 2019, our industry's total economic contribution to Pennsylvania ranked among the highest in the nation with more than \$78 billion directed to the state's GDP—including nearly \$41 billion in labor income.

Our industry is a direct input to agriculture, manufacturing, chemicals, processing – the list goes on and on. Those investments were predicated on Pennsylvania natural gas, and are strengthening the state's economy, local communities and family budgets.

But the transformation isn't limited to Pennsylvania. The shale revolution has spread and [revitalized America](#). Import terminals became export terminals. America reduced its trade deficit. U.S. greenhouse gas emissions are at generational lows. We reduced our energy dependence on foreign nations and unreliable regimes.

And in the process, the state's environmental progress [transformed the world](#). In 2019, [federal estimates show](#) that natural gas from Pennsylvania's Marcellus and Utica Shale has been shipped out to 20 different countries.

It's a tangible success story, and an example of American energy bringing the light – quite literally – around the world, where natural gas can replace less clean and less reliable energy sources to sustain life.

To continue this momentum, Pennsylvania's short- and long-term economic outlook depends on policies – at the local, state and federal levels – that support natural gas and oil development and critical energy infrastructure.

Yet, that outlook is facing headwinds from policymakers in Washington.

Congress is currently considering proposals to restrict access to American energy. Their proposals would make it more difficult to develop energy on federal and private lands. And could return us to days of greater dependence on foreign energy sources – in fact, we have seen [record Russian oil imports to the U.S. in five of the last six months](#).

Lawmakers have also proposed new, targeted tax measures on American energy development. Instead of addressing challenges we're seeing from the pandemic like demand outpacing supply and increasing energy costs, some lawmakers are proposing to add to these economic headwinds.

In fact, in the fine print of their budget proposal is a punitive natural gas tax – or methane fee – levied on top of EPA's direct regulation of methane emissions, which API [supports](#) for new and existing sources. According to EPA and EIA data, our industry is driving down methane emissions intensity today, and targeted taxes and fees are self-inflicted and will hurt American competitiveness and family budgets.

Over the past 10 years, the cost for families of housing, health care and education have all gone up by as much as 75 percent, while energy costs have fallen more than 25 percent. More affordable energy has been a relief, but policies under consideration in Washington could add to already higher inflation.

A course correction in Washington policy-making is urgent and we're making the case every day for this industry. Not much time is left as the broader, multi-trillion-dollar reconciliation package takes shape.

We urge President Biden and Congress to reject these "import more oil" policies layered into the budget reconciliation. They could threaten Pennsylvania jobs and deprive the Keystone State and its neighbors of much-needed revenue.

Few realize that American energy production on federal and American Indian-owned lands and offshore areas generates billions for the U.S. Treasury. In 2019, \$11 billion was sent to state budgets, public lands and more from American energy development. Much is directed to the Land and Water Conservation Fund. Ahead of National Public Lands Day this weekend, it's important to consider that our industry has [provided](#) millions to Pennsylvania parks, waterways and other conservation areas in the past five decades.

American energy development contributes to protecting spaces for hunting and fishing, trails, state Memorials, and a host of public parks in counties and townships from Pittsburgh to Philadelphia.

Energy leadership extends far beyond state lines and national borders. This week the United Nations General Assembly in New York is meeting on the global climate challenges and our nations' shared responsibility to build a lower carbon future.

The challenge of meeting the world's growing energy needs at the same time that we are building a lower-carbon future is massive, intertwined and fundamental. Our industry also views it as the opportunity of our time, and one we are uniquely positioned to meet with our scale and expertise, aided by smart policies and relentless innovation.

Look back into history and you'll quickly realize this industry was built to meet big moments and accomplish big things – keeping the lights on, powering hospitals and homes through pandemics, enabling transportation to connect people and places around the world.

We are committed to ongoing innovation: transforming our business, bringing more voices to the table, and broadening our circle to a point where we have the intellectual diversity to solve the world's biggest problems, right now and deep into the future.

With that in mind, this year, API established a new initiative – API Energy Excellence, which is designed to accelerate environmental performance. Then, in April, we released the industry's *Climate Action Framework* of policy proposals and industry initiatives to further reduce emissions while fueling economic growth.

The framework calls for accelerating technologies and innovation to drive down methane emissions. We endorsed an economy-wide carbon price policy as the most effective and transparent way to reduce emissions. We committed the industry to continue developing cleaner fuels.

API later revealed a new template for individual companies in the natural gas and oil industry to more consistently report and track greenhouse gas emissions. While our industry has been a leader in sustainability for decades, our template provides a consistent and uniform set of core indicators to enable greater comparability in climate-related reporting. API expects to release additions to the template later this year.

This month we shared results in The Environmental Partnership's [new annual report](#). It outlines the work of more than 90 companies to detect and cut methane emissions intensity from their operations.

Launched in 2018, companies in The Partnership reported a 50% drop in flare volumes associated with oilfield operations from 2019 to 2020 – even as their oil and natural gas production remained nearly constant despite the onset of the pandemic.

To put the Partnership's achievements into perspective, the amount of flare gas that was avoided or diverted for beneficial uses was roughly equal to the typical winter natural gas consumption of 2.9 million American homes.

As an industry of engineers and problem solvers, we measure and track progress in everything we do and aim to share relevant data transparently. By advocating for the

acceleration of emissions-reducing technologies, encouraging transparency in climate reporting, and advancing cleaner fuels, API member companies in Pennsylvania and beyond are demonstrating their support for continuous innovation, new economywide market mechanisms and sensible policy proposals to enable a better tomorrow.

And we certainly need that “better tomorrow.” The world’s population is [expected](#) to jump from 7.8 billion people today to nearly 10 billion by 2050, and energy demand is expected to grow with it. Independent analysts even estimate that nearly 50 percent of the world’s energy will come from natural gas and oil in 2040 – even in a scenario where every nation meets its Paris Agreement emissions goals.

Given those realities, do we want natural gas and oil companies to keep working toward a cleaner energy future with government partners, other industries and fellow innovators to meeting energy needs?

Or do we want policies that could put America at a disadvantage – jeopardizing jobs, increasing energy costs and harming American competitiveness?

That’s the choice I want to pose to you today.

Will we continue the long-established Pennsylvanian and American energy success story, or go a different route that restricts local operators?

Will we get our energy from Pennsylvania, Ohio and West Virginia, or unstable regions across the globe?

There are many routes to support U.S. communities, meet energy demand and tackle climate change. They share two things in common: American energy from U.S. natural gas and oil.

Pittsburgh residents share a unique pride for your city – and the industries that make up its economic backbone. We hope you will remember these facts, raise your voices and contact your lawmakers at the state and federal levels alike.

Let them know you want them to advance policies that keep Pennsylvania the “keystone” of America.

Thank you, and I’d be happy to take your questions.