

State of American Energy 2023  
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AS PREPARED FOR DELIVERY

Good morning. Thank you all for being here.

API has held our State of American Energy event for more than a dozen years now—this is my fifth as president and CEO. In previous addresses, I described America’s energy advantage and the benefits of developing our resources and building infrastructure to strengthen our nation.

I outlined innovations enabling America to deliver reliable energy while leading the world in emissions reductions.

And last January, as a surge in demand was causing new pressure in global energy markets, I warned about what can happen when nations depend on oil and natural gas from suppliers that prove unreliable and push agendas of their own.

Weeks later, we saw that *warning* give way to a *reality*.

On February 24th, Russian tanks rolled in and missiles rained down over Ukraine. Overnight, Europe found itself on the losing side of a decades-long bet on Russian energy.

Prior to the invasion, Russia supplied 40% of Europe’s natural gas and over a quarter of its imported crude oil. By summer, Russian natural gas exports to Europe had plummeted 75%—and Europeans faced soaring energy bills and were hoarding firewood and lining up at the pump.

America got caught up in the crisis, too. Russia’s invasion of Ukraine added volatility to a global market that was already stressed by the effects of a covid-driven supply-and-demand imbalance. Russia was a major supplier of diesel around the world, creating global bottlenecks and price spikes that left few nations immune. As in many times before, the world looked to America for energy supplies and help.

And that’s what makes this year’s State of American Energy different. Every day, this country and this industry’s workforce are demonstrating that the solution is here...in America. And the world is watching.

Many of us can remember a time when America wouldn’t have been able to step up.

We think back to our own energy crisis in the 1970s, when gasoline lines stretched for blocks and, pumps ran dry.

We remember, more recently, when some experts proclaimed the twilight of oil and natural gas— even as energy demand outpaced supply.

But American innovation changed the arc of the story. The shale revolution opened vast new supplies of oil and natural gas right here in America—and American energy stepped up to meet demand, with the support of presidents from both parties.

The result was greater security for the American people and our allies.

But we've learned from Europe and seen over the past year how our strong energy position is not inevitable or self-sustaining. It must be cultivated, reinforced, and prioritized by policymakers and our industry.

In the past year, the percentage of producing leases on federal lands hit a two-decade high, while our industry created tens of thousands of new jobs and increased the number of oil rigs to the highest count in years. We're meeting domestic needs while also sending record levels of natural gas to Europe.

Meanwhile, the Biden administration offered for lease the fewest acres in America for energy development since the end of World War II, and implored suppliers in other nations to ramp up *their* production to meet America's needs.

Today, as the next Congress gets to work, we are presented with a new opportunity.

Either Democrats and Republicans can renew the consensus that enables our great nation to help meet energy demand and tackle climate change. Or we can continue down the path that helped lead us to this moment, limiting American energy and relying on unstable nations around the world.

Our national security and the security of our allies are at stake.

We at API have a plan that will put us on a more secure path—one that involves bipartisan problem solving in Washington and continued American innovation. We are optimistic about its prospects for a couple reasons.

First, some of the major energy accomplishments of the past were achieved in bipartisan fashion – from the Energy Policy Act of 2005 to the lifting of the crude oil export ban in 2015. It won't be easy, but divided government gives us a real chance to build consensus around meaningful reform.

Second, the American people overwhelmingly agree on what must be done.

Nearly 9 in 10 voters support America developing its own energy rather than relying on foreign powers.

And nearly 3 out of 4 Americans recognize how critical natural gas and oil are to our energy future beyond 2050.

America has the resources, the innovation, and desire to deliver.

The state of American energy is strong and resilient. Production is up. Refiners are operating near peak levels, generating more product than ever before. And emissions are down as natural gas continues to replace coal and innovations abound.

But we need policies to enhance the American energy supply chain and not hinder it. The State of American Energy could be much stronger through bipartisan cooperation, a reversal of rhetoric from the Administration, and serious policies that encourage investment and enable development.

Throughout history, government and businesses have worked together to solve many challenges, from public health to national security. Today I want to present a blueprint for how we can further protect America from energy challenges together.

It's a plan in three parts – Make, Move, and Improve American energy.

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It all starts with “Make”—because today's fundamentals are straightforward.

We face a global supply crisis. And today, Americans are increasingly poised to suffer under the biggest imbalance between energy supply and demand in a generation.

For the past two years, energy policy has been “too much of not enough.” Instead, America needs more of what's under our feet – more natural gas, more oil, more energy.

The Biden administration and some leaders in Congress have gone out of their way to restrict production.

Leasing fewer acres for oil and natural gas than any administration since World War II, when demand was a fraction of what it is today.

Delays in proposing a five-year offshore leasing program, enabling the administration to halt further leases.

And the government not holding a single quarterly sale for onshore energy development in 2021, even though sales are required by law. In 2022, in the thick of the European crisis, the administration held just a single round of sales.

Add to this a barrage of negative rhetoric leveled at American energy and fuel producers and you are left with a coordinated undermining of the capabilities of the world's leading oil-and-natural-gas producing nation.

Even in the best of times, this would have been a challenging moment. But mix in a post-pandemic surge in demand, and a war in Europe, and you get a global energy crisis.

So how do we resolve it?

Well, we won't resolve it by tapping the nation's emergency petroleum reserve. That's a band-aid, not a cure. Remaining reserve capacity would not cover America's long-term energy needs.

And we won't resolve it by asking other countries to produce more.

We resolve it by acknowledging energy realities.

Independent experts agree that global oil and natural gas demand will increase over the next 30 years, driven by an expanding middle class. In 2023 alone, demand is estimated to increase by 2.7 million barrels per day to more than 100 million barrels of oil used daily around the world.

That demand will be met one way or another. If America does not meet it, it will be met by countries that do not share our security interests, environmental standards, or values.

The solution is right here in America, right under our feet. We just need to seize it.

Now we need the Biden administration to join the consensus of the American people and every President of the modern era.

To open areas offshore and onshore for safe and responsible energy development.

To take steps to free up private investment. We are not asking for federal dollars; we are asking that private capital markets be allowed to function freely.

And it starts by reversing the rhetoric. If the government signals support for American energy, it would boost investor confidence in future projects to unleash needed supplies and strengthen infrastructure.

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The next step in our plan is "Move."

More energy development counts for little if we can't get resources to where they are needed. That means new pipelines, natural gas terminals and fuel infrastructure, and cutting the years it takes to bring them online.

Today, it often takes more time to acquire a permit for a project than to build one. And even after you get the permit, litigation can go on for years.

This hurts families, businesses, the environment, and our strategic partners around the world.

Closer to home, in New England, natural gas costs up to eight times more than in Appalachia. Why? Because government won't approve a pipeline to transport natural gas produced just south in Pennsylvania.

In fact, many homes in Boston use fuel oil or imported natural gas for heat, because they lack access to cleaner American natural gas. That's the sad irony of blocking pipelines on environmental grounds.

Also suffering from our inefficient permitting process are our allies—and, by extension, our national security.

Our European allies chose not to develop their own resources and had few other options to rely on but their hostile neighbor to the East.

It takes the government years to approve new liquefied natural gas terminals. Now that Europe is in tremendous need, the White House wants the industry to flip a switch and immediately increase our share of global supply.

These are long-term investments, and it doesn't work like that.

Government needs to enable the investments—in production, transport, and refining—consistently over a period of years to deliver reliable energy here and around the world.

That is why we need Congress to come together to reform permitting *now*.

We know it can get done. Proposals in the Senate share the goal of modernized infrastructure. You will later hear from Representatives Cuellar, Fletcher and Peltola, as well as Chair McMorris Rodgers, who have been strong bipartisan leaders on these efforts.

They know it takes infrastructure to move energy to refineries that upgrade oil into products we use every day: plastics, tires, carpets, contact lenses and more.

Thousands of life's necessities, in other words. Both parties know the importance of getting permitting reform done. It's time to do it.

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Next up: As we Make more energy, and Move it efficiently, we are also *Improving* how we do it.

The objective is to get more energy with fewer emissions. But, how do we get there?

Adding new sources of energy helps. But pretending that we can simply replace oil and natural gas with wind or solar does a disservice to Americans and our allies, not to mention to the environment we all share.

If we ignore skyrocketing global energy demand, countries that have little or no regard for the environment will be happy to meet that demand for us. And they'll meet it with sources like wood and coal and the higher emissions that come with them.

And let's not forget that oil and natural gas are required to make and transport wind turbines, solar panels and electric vehicles. Turning away from natural gas and oil isn't going to make these sources go away, but it will lead us into a deeper energy crisis.

Isn't a better question: How can we reliably and affordably produce the energy the world needs at the lowest possible rate of emissions?

Well, we have some answers. It does not start with hefty subsidies and complex *regulation*, but with *innovation*.

Look no further than the American ingenuity that powered the shale revolution and enabled more U.S. natural gas. It ushered in a switch from coal to natural gas for electricity generation, and America lowered its emissions more than any climate policy has.

In fact, between 2005 and 2020, America had the greatest emissions reductions of any country in the world, nearly as large as the combined reductions of the entire European Union.

And we have innovation to thank. Our industry is leading the innovation race. API's Climate Action Framework, our industry's plan to tackle the climate challenge, details how we're doing it and what we can do next.

Today, our industry is investing, innovating, and building a workforce around carbon capture, utilization and storage.

We're also strengthening our energy production processes, which have lowered methane emissions intensity nearly 60% in the largest producing regions over the past decade.

We're working every day to bring emissions down further.

We formed the Environmental Partnership five years ago. It now represents more than 100 natural gas and oil companies. These companies have pioneered unprecedented collaboration around reducing methane emissions – including on flare management.

Meanwhile, we also support the direct regulation of methane, and we're providing analysis to EPA as they finalize their methane rule. It's in everyone's interests to capture as much as possible, and smart regulations can enable this while encouraging ongoing innovation.

But one thing is clear: Stifling the use of U.S. natural gas does not help, especially to achieve our shared goal of environmental protection.

Is a policy that lowers emissions at home but raises them abroad a sound environmental policy?

The best thing we can do for the climate is produce more of America's oil and natural gas – and share our energy and innovations with the world. The numbers back us up.

One analysis found that if we were to replace the world's coal consumption with U.S. LNG, the emissions impact would be enormous. Greater than that of electrifying every U.S. vehicle, putting solar panels on every U.S. home, and doubling our wind capacity combined.

Producing and exporting more American energy helps the planet, our people, and our partners.

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I recently visited an offshore oil platform in the Gulf of Mexico. When my tour was over, one of the crew members, Jim, pulled me aside and said, "I know our industry gets disparaged sometimes, but I want you to know that I'm proud of what I do here. We're making the energy America needs."

Workers like Jim have done a lot already. And they want to do even more. Our job—as advocates, as policymakers, as Americans—is to empower them to do it.

If we don't, we are asking for instability. Just imagine what our world would look like today if previous administrations had not fostered American energy development.

How would we fare in the current state-of-play if the U.S. were producing just 7 million barrels per day, as we did in 2010, compared to the 12 million that we are now?

Supply would be lower and our security far weaker.

Not only would we be unable to help Europe; but we would be just as vulnerable—just as reliant on foreign powers. We've seen it across the Atlantic this year: When your adversaries control your energy, they can weaponize it.

That's not just a risk for America, but for the entire free world. It's better to learn that lesson now rather than later.

Because if America fails to be an energy leader, who else in the West will take our place? Who else will forestall a security crisis? And who else will lead the movement toward cleaner production and energy innovation?

No other country will. It must be and only can be us. And that requires our leaders recommitting *now* to America's role as a global energy leader. Because our energy security posture is not automatic, and it is not self-sustaining.

When you pick up any number of products made or moved with oil and natural gas, or lift the gas pump, or turn the knob on the thermostat, that's the final step of thousands of people—the culmination of years of investment, development, and policymaking.

We can't tell America's oil and gas workforce today that their work needs to "end"; and then months later tell them to quickly come back. We must put in the work now.

The solution is here before us.

Some of you know: I spent much of my career on Capitol Hill.

One thing I learned over the years is that the things that *last*, that endure—they happen when Democrats, Republicans and Independents work together. So much of the rest? Subject to change.

That's why I'm confident that now is the time. For lasting, meaningful change that puts America on a secure energy path.

Last year, our friends in Europe learned the hard way that energy security is national security. It's time to implement that lasting lesson here in America, with business and government working together. We know the solution is here. Government policy must reflect our resource abundance, our ability to build, and our willingness to get better every step of the way.

API and our industry are here for it. Ready to do the work.

Ready to put in the time—this year, with this administration, with this new Congress—to craft and enact bipartisan policies to make, move, and improve American energy. I hope you'll join us. Thank you.