

Center for Strategic and International Studies

TRANSCRIPT

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Keynote: The Future of U.S. Energy Security

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FEATURING

Scott Peters

U.S. Representative; Member, House of Committee on Energy and Commerce

CSIS EXPERTS

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Transcript By

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Joseph Majkut: Good morning, everyone, and welcome to CSIS. I'm very pleased to see everyone here today. My name is Joseph Majkut. I'm the director of the Energy Security and Climate Change Program here at CSIS. If you'll give me a moment, sir, I have to do a couple of preflight announcements.

For those who are joining online, I hope that you take the opportunity to interact with our programming today via social media. And for those of you who've joined us in the room, I'm very grateful for that. This is our program's first in-person conference in the endemic period of COVID. And so we're really pleased that so many folks came out. I'll note that CSIS takes your safety and comfort very seriously, so if there's any issues that arise while you're here please let us know.

And if anything happens or a big alarm goes off, I encourage you to discover one of the exits at either end of the room or follow the instructions of a CSIS staff member. And we are meant to regroup behind the building. And I've heard that the tradition is that I have to take you all out for ice cream at the National Geographic Society. So hopefully that doesn't happen, but if it does there's a sweet treat at the end.

We have a great program for you today. There's a lot to talk about, and this program comes at a very important time for how we think about the future of the oil and gas industry. Potentially, like, several inflection points are all occurring at the same time. But before we get into the details, we're very honored to be joined for an early morning conversation about energy security and U.S. leadership in this context with Representative Scott Peters, who joins me this morning.

Representative Peters represents the 52nd district of California, roughly San Diego. He's served in Congress since 2013. And one of the reasons why we're very excited that he is joining us today is, like CSIS, Mr. Peters tries to find consensus, tries to find solutions. We were discussing in the back room, lives the hard life at the middle of the road. I think when we think about a lot of the challenges that we're facing regarding energy prices, energy security, and climate change, and how we can accomplish our goals across all those different imperatives, we're going to have to find ways to make compromise. We're going to have to find ways – our leadership is going to have to find ways to work across the aisle. And Mr. Peters is a great example of those principles now serving in Congress.

So, Mr. Peters, I'm very pleased that you're joining us today. We'll try to get you out on time. And I look forward to a good conversation. I'll offer just a brief question to start our conversation, which is, you know, how do you view this current moment? Energy security is under immediate stress for our allies. Prices are very high in the United States for oil, and increasingly for natural gas. But decarbonization remains a long-term priority. And in

your mind, how does this situation create new imperatives for legislative or administrative response?

Representative
Scott Peters:

Well, thanks for having me. And thanks for – thanks for the question. You know, there's quite a lot of focus on the short run here, but I think if you step back from what's happening right now there's no better illustration for the need, in terms of energy security, to diversify our energy inputs. You know, we are really dependent on oil and gas. A lot of it comes from nice people in Texas, but a lot of it comes from mean people in Saudi Arabia, and Iran, Venezuela – people we don't necessarily want to be dependent on. And that's not security.

So you often – I think when I first started on the Energy and Commerce Committee, the Texans and the Oklahomans were very proud of the production that we've made in the United States, and the – and the advances that we've been able to displace coal with natural gas, which burns cleaner. And I think we deserve – you know, we deserve to be happy about that. But I think if you look at this moment in energy security, it's very precarious for us. And I think – you know, I think that's another reason, beyond the environment and beyond economic considerations, to support this transition.

I also say, in the short run, we need more oil and gas, because, you know, we can't – we can't really ignore what's happening to people who have to pay these higher prices. A lot of what's happened, I understand, comes from disruptions in the supply chain that have happened throughout the world in many industries because of the pandemic. And some of that will recover, but the other thing I wanted to say, though, is that whatever the timeline for the transition and however complete it is, we're going to be using oil and gas for a long time.

So one of the things I've been trying to make a priority of in the short run and the medium term is to make sure that that's cleaner as we use it. And so I could talk about my visits to Texas to learn about those things and to evangelize for that. But, you know, we have a short-run problem, but we have a long-term objective that's really not changed, but security's another reason to support that transition.

Dr. Majkut:

Maybe let's hear a little bit more about trips to Texas. You've got a bill to control methane emissions at the facility level, to set intensity standards and watch them decrease over time – or, require them to decrease over time. Sort of a two-part question: Why is that – why is that so critical? And why is a legislative response important, in your view, given that the EPA has oil and gas methane rules? You know, is it politics? Is it the stability of policy over time? Why do you think that's an important area for Congress to be working?

Rep. Peters:

Twenty-five percent of warming today happens from methane. Most of that – some of that’s agricultural. Most of it comes from leaks along the oil and – or the gas production and distribution system. And it seems to me that that’s the bargain we can make with the industry. You want to call natural gas a bridge fuel? That’s great. But you’ve got to get methane under control. And it’s not that hard. It’s not that complicated a task.

So I’m in my office, and the scheduler came in and she said you got an invitation – this is during the pandemic, April ’21 or something like that; it was right in the middle of it – they said you got an invitation to go to Houston to talk to the Energy Security Forum – I think it was the name of it – in person. And it’s at the Petroleum Club. That’s a no, right? I said, no, that’s an absolutely yes. We’re going to go to the Petroleum Club.

I went out there, spoke to this group. And it was me and, I think, eight other members of the Energy and Commerce Committee, all Republicans. And I was, like, you know, a curiosity, a Democrat in Texas, talking about energy in Houston at the Petroleum Club. But the point I wanted to make was what I just said. But also, you know, there’s a business reason to do this too. A contract between – from Brownsville, Texas and France had just been canceled. I think it was seven – 20 years and \$7 billion – because of concerns from the customer that the gas wasn’t clean. And you’re going to see South Korea and Japan and the EU demand cleaner gas.

We also practically have – we have a gap to fill, probably with LNG. But I don’t want to do that until we’ve got our methane under control. So you’ve got to talk to Texas about oil and gas, so that’s why I’ve gone. I’ve gone twice to Houston. I’ve gone to Midland to see production. I’ve spoken to the petroleum-engineering folks at Texas Tech, in their lab out in the field. I want to work with the industry to make this work, and I hope they’ll work with me.

In terms of legislation, I mean, it’s – you know, we have not solved any great problem in this country that’s in a partisan way, whether it’s going to the moon or winning a world war or fighting a pandemic. It’s got to be done together or it becomes a political punching bag. So the Trump tax cuts, a political punching bag. That was Republicans only. Obamacare, Democrats only, a political punching bag; and the Iran deal.

These things may survive. They may not. But unless we do them together, they’re just not durable. One of the first things we did was restore the Obama-era methane rules from 2016, which are fine but could be a lot better. And now the administration is working on new methane rules. But they’ll be the Biden rules. So I’d much prefer we came together at the Energy and Commerce Committee and had an agreement legislatively about how to go forward.

Also we have the Supreme Court decision on the Chevron doctrine looming over us – I’m not sure how familiar you are with that – but may really curtail the freedom of administrative agencies to make these rules on their own. So for all those reasons, I’m trying to be involved in it myself.

Dr. Majkut:

Really interesting. I mean, I’d be fascinated to talk to you about administrative and constitutional approaches to, you know, regulation in the United States, but I’ll withhold myself.

Bipartisanship is something you’ve mentioned several times. We – given the polarized environment, it’s sort of easy to forget there’s been a lot of success over – even in the last 18 months, right. The bipartisan infrastructure law not only – there’s a lot on the infrastructure side that makes, I think, the largest single package of clean-energy investment that the United States has been willing to commit to at this time.

What do you see as the next basket of potential opportunities for bipartisanship? Methane? I mean, I’m guessing that you’re pursuing them. Methane. Border adjustment is something that you’ve also worked on in Congress. We’ve seen some Republican signals around that. But what are the areas where you think that in, you know, let’s say, next year or in the future, bipartisan compromise can really be built?

Rep. Peters:

There seems to be a consensus about basic research, research in energy. Republicans and Democrats both think there’s a role for government in that. That’s been pretty good. I did a bill called the USEIT Act with Dave McKinley from West Virginia on carbon capture. Part of that was research on direct-air capture. Part of it is enhanced oil recovery, another technology we can use for oil and gas today to make it cleaner. And I think that that’s pretty low-hanging fruit.

We also have a resiliency bill that Chris Coons and Lisa Murkowski introduced, and it’s me and Salazar from Florida. We’re the only G-20 country without a real resiliency plan in the administration. I think that’s possible.

Chris Coons and I did a border carbon adjustment bill. That’s harder because – and if you look at the bill, it’s more of an invitation to figure this out. If Canada and Europe and England are imposing 80 (dollars), \$100 a ton on carbon, they’re not about to trade with us if we don’t bear those same costs. And vice versa, likewise, if companies in the United States are doing the right thing and incurring costs, they’re going to want to have credit for that as we trade, so Senator Coons and I have an idea about how to do those adjustments in the context of trade. But without a carbon tax or without

some sort of price on carbon, very difficult to do the accounting, so there's a lot of, like, figuring that out.

I know that there are secretly Republican senators who are open to the idea of carbon pricing. We have a hard time getting them to come out from behind the curtain. But all these things are possible, I think, and at the right moment, if we keep working on them, could emerge. But methane is the thing I'm really working on hard right now because I think there's an industry reason to do it.

I would just say one other thing: When you have industry behind you like we had with the – on hydrofluorocarbons, industry wanted us to do something, to set a standard. It was easier to get Republicans and Democrats on board. That's why I hope the oil and gas industry would help us come up with a regime that would really take care of this methane issue and give us an argument that this is a really clean way to go forward, as we transition to a more secure and more diverse system of energy inputs.

Dr. Majkut:

Right. I want to make the congressman available to folks in the audience. If you want to come up and ask a question, we've got a microphone here. We can go through a few general questions. I'll remind you, as you're conceiving of your question, that questions at CSIS have a brief introductory sentence, and they're followed by a second sentence that goes up at the end. If you can try and format your question in that way, it would be greatly appreciated. I'm sure there's a lot of people who want to hear from the congressman. But I'll close with one observation, and if anybody would like to come up you're more than welcome to do so.

The theme that we seem to be kind of dancing around is that the future of the American economy is one that can be clean and getting cleaner probably faster than a lot of our competitors or even potentially our allies, but we don't really have the system in place that's going to allow that acceleration to occur. While that is happening we will also be looking at a more secure and potentially more resilient energy system that's just drawing on more sources. When you make that argument in Congress or with your Republican colleagues, where are the gaps? Where do folks still need convincing? And how does the research community contribute to showing the alignment between the climate agenda, energy security, and American economic promise?

Rep. Peters:

So I think, you know, one of the biggest revelations to me is when I went to Midland and I met some of the people doing oil and gas and I had not appreciated the cultural importance of this to those people, which seems obvious now, but these people, like, had been in the fields for three generations, they loved their work, it was honest work, they were really proud of what they do, and as some Californian who's not really – we don't

have a lot of extraction industry; we have a little – but I mean, I just had not appreciated the shift this would be not just in terms of how you make your living but what your life is. And I think when I talk to Texans about it, even though I was saying to you, Texas – after China, Texas is second in wind. Fort Hood is totally renewable. I mean, they're doing all sorts of stuff in Texas in renewable energy, but it's like they don't want to talk about it because it would be a betrayal to sort of the culture. I think that's a real problem.

I think, you know – I think also, like a lot of Democrats see this as statistics. It's not statistics. It's lives. And I think that's why it's really important for us to get together and listen. And one of my best friends in Congress now is Jodey Arrington. Jodey Arrington is a super right winger. We're actually working together on debt and deficit issues. But we're honestly friends, and trying to figure out how to work together on methane has been a challenge for me because I think it's a – you know, it's a cultural thing and so I think that might be one of the biggest obstacles.

The research is really vital because we have to have good facts. You know, when we get together in a room and we finally talk, we have to decide objectively what are the numbers we want to hit, what are the numbers we have to hit? And, you know, I thank the folks who do research for providing us good information because it's got to be reliable, at the end of the day. But the obstacle right now is more political than analytical, I think.

Dr. Majkut: Feel free to introduce yourself and pose a question.

Daniel Raimi: Thank you. Daniel Raimi from Resources for the Future.

Just directly to the topic you were just speaking about, I understand that many of the largest obstacles are political. But I'm wondering, from your perspective, whether on methane or other oil- and gas-related issues what are some of the most important research questions that the research community can answer to provide that evidence base to support decision-making.

Rep. Peters: Oh, I'm trying to remember the name of a company I wanted to reference. But so in methane, what's happened in methane since 2016 is now we can identify much more precisely the presence of methane. We can do it from satellites, we can do it on the ground, and there's a company – I wish I remembered the name – that's actually become – that's become able to identify the quantity of methane, which was a big advance.

That means that the 2016 methane rules which prescribed this pump or this compressor – the best available technology – are really kind of anachronistic because we could actually regulate emissions. By the way, the reason that that company developed that technology wasn't any government thing. It

was that some gas producers wanted to show that their methane is clean to the market, right, and so that's another reason for innovation.

You guys have done great work on carbon pricing, too. I hope to get around to that someday, too. But, I think, in terms of methane, that's the magic is that we're now coming close to being able to figure out exactly where methane is leaking and then we could give the producers and the pipelines and the distributors the ability to do – in the most effective way to take a look at what to do about it.

Methane is one of those things that I don't think ever is going to be too affected by carbon pricing because it's so damn cheap to let it go. So you don't have to do a regulation around that. But, again, I think, you know, as technology develops and as we get better and better research, I think, you know, we have more opportunities to do efficient – to handle it more efficiently. Does that make sense?

Dr. Majkut: While we wait for this question, Mr. Peters, one of the things that I see on sort of no matter whom I'm talking to in the energy industry there's a general frustration with permitting, siting, and the – sort of the lag time between a project manager getting an idea and something actually happening.

Rep. Peters: Right.

Dr. Majkut: You know, is this is a – is that a key area where you think agreement can be built? I mean, this is something that the oil and gas folks are worried about. This is something that the renewables industry is challenged with, never mind, like, the electricity transmission people. And, you know –

Rep. Peters: Nobody's listening, right?

Dr. Majkut: (Laughs.) No. Yes, this is a private environment, sir. Let it rip.

Rep. Peters: It really frustrates me because I think, like, one of the really misguided strategies on the left is to try to constrain supply permit by permit, as if that's an energy policy. That's not an energy policy.

The appropriate thing to do is to handle demand through something like a carbon price to reduce the demand for it. And, you know, the permitting thing also gets in the way of undeniably righteous issues like public transportation or siting solar farms or wind or whatever. I mean, it's – the illogic of that from a climate perspective is really frustrating to me.

This week I'm introducing a bill with none other than Kevin McCarthy to save our sequoias and, you know, just real briefly, we hadn't lost a sequoia

tree to fire for 750 years until 2017 because the canopy is so high the fire can't reach it. Fire is actually really healthy for the sequoia.

But so much sort of nonnatural vegetation has grown up around trees that they're conveying the fire to the canopy. In the last two years we've lost 20 percent – 19 percent of all sequoia trees. We're going to lose them all.

One obstacle is money. I think Leader McCarthy is going to come through with that. But we've also got to – we got to make it go faster. We got to make it faster, and so we're going to have to talk about ways to make sure that we're focusing environmental review in a way that's really appropriate. And if we're talking about a crisis, permitting is going to be something we have to look at across the board.

Dr. Majkut: Yes, sir?

Martin Jirušek: Good morning. Thank you. My name is Martin Jirušek. I come from the Czech Republic, currently a Fulbright visiting researcher at George Washington University here.

I focus on energy security and geopolitics. So there's, obviously, a topic I cannot avoid these days, and that is the future of oil and gas consumption in the wake of Russian invasion of Ukraine. So I'll be interested in your take on what's the way forward? Because at the same time, we are on the path to curb our emissions, but at the same time we in Europe would like to – would like our allies also in the U.S. to ramp up the production so that we can shake off the dependence on Russian supplies.

But I understand that some producers – or, many producers might be hesitant ramping up their production when the outlook is rather midterm, that the need for U.S. oil and gas will be – will be, say, in the next 10 years, but then it will progressively die down as the European Union will turn away from hydrocarbons. So I'll be interested in your take on how to strike a balance in Europe wanting more non-Russian gas, mainly, and U.S. producers wanting to secure a position on the market but, at the same time, the need – their need to think ahead beyond the midterm outlook. Thank you.

Rep. Peters: Well, thank you for the question. Europe is in a bind like we are. I mean, you know, you've got dependence on Russian oil, Russian gas. I mean, there's just no way around that, really, right in the immediate future. I mean, we are – the president of the United States went to Saudi Arabia to ask for more production. I mean, this is the situation we're in. That's not secure. So but that's where we are. And I think, you know, in the short term we have to seek those answers, but in the long term we've got to diversify our inputs.

I'm not – you know, I'm not German, but I don't understand why you'd be shutting down nuclear power plants at this point. It makes no sense to me. But I can say the same thing about – there's a plant in California that we're talking about maybe extending the life of. You know, it's about – it's about diversity – or, diversifying those inputs. And it's not just oil and gas, but all of the supply chains have been challenged. And there's security interests with respect to chips, with respect to basic pharma.

I mean, the pandemic has made us think about security in a number of different industries. Oil and gas always feels put upon because – you know, because of the – because there's people saying that they're going to ban it tomorrow, and somehow Texans believe that's going to happen. But, you know, I keep going to them, you know, it's OK, it's not going to happen tomorrow. But, yeah, so I think this is one of the challenges we have in terms of economic security is figuring out all of our supply chains. This is one of them.

But right now, we're in a tough spot, because we are – we're not able to do without Saudi Arabia. We're not able to do without Russia, and Venezuela, and Iran. You know, we're sending them money. And I'm not sure how that serves our security in the long run.

Dr. Majkut: And yet, it seems to be very hard to have a demand-side conversation in Washington. You know, just this week the White House is floating the idea of a gas tax holiday in the face of high oil prices, which is –

Rep. Peters: Inflationary. (Laughs.)

Dr. Majkut: It's a subsidy for consumption at a time when we should – you know, the economics textbook and practicality tells you we should be doing the opposite. Is there – is there a way to break through on the demand side, and – or do we just need to pursue diversity and energy abundance from all sources? Which generally means building a lot more clean stuff now?

Rep. Peters: I said, you know, you need regulation, you need research in new technologies. But you need incentives. Whatever we called the Build Back Better – if it's Build Back Better Better. I don't know what it is. But it is has – it has sort of industry-by-industry incentives, which are fine. But, you know, really carbon pricing is the – is ultimately the smart way to go. I think economists understand that and that will be a way to incentivize the private sector to make all the right choices and incentivize every economic actor from the largest corporation to the household. And you could do it in a way that was not just revenue neutral, but perhaps progressive. And so I think ultimately that's the answer on demand.

Dr. Majkut: Yeah. The last time there was a big price spike there were, you know, several leading columnists on both sides of the aisle talked about, well, we should – we should establish floors and use the money to then fund infrastructure. Dare we dream that there is an idea for – floating around like that for thinking about how to establish carbon pricing and keep some of the price impact but not have it – but have it be distributed in a more egalitarian way?

Rep. Peters: Yeah. I mean, again, it's not the academics; it's the politics. You know, there's a really good – Climate Leadership Council, is that the – they did a – and they're sort of older, non-elected Republicans who came up with revenue and dividend. I think – makes a lot of sense to me. Refund – I would call it refund, not dividend. I mean, those people know what dividends are, but ordinary folks know what refunds are. (Laughter.) I would say, you know, you could do that. It makes a lot of sense. I mean, there's a lot of sort of awareness of it in the Senate, interest. But you know, we're just not there yet. But those are ideas that are out there that may take hold at some point.

Dr. Majkut: Interesting.

Mr. Peters, I'm very grateful that you joined us here this morning and I want to thank you for your leadership on this issue. And as you try to carve out the compromise solutions and the bipartisan approaches, I hope CSIS can be helpful as we produce research and ideas for you all.

Rep. Peters: Great. We love to – we love – any ideas you have out there that would help us along the way, we're open to them. And we like to think we're about solving problems that other people aren't working on. So I don't have an electric-car bill. Everyone else has one. But we're trying to work on areas where maybe they're not getting attention. So if you think we're missing something, we'd love to hear about it.

Dr. Majkut: Thank you kindly for joining us today.

Rep. Peters: Thank you.

Dr. Majkut: Please thank the representative for me. (Applause.)

Rep. Peters: I think I exit stage left.

Dr. Majkut: Have a great day. I get to stay.

Rep. Peters: OK. Thank you.