

LEGISLATION AND REGULATION: HIGHLIGHTS OF WHAT TO WATCH FOR IN 2009

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Legislation & Regulation Panel Discussion

2009 SPE Americas E&P Environmental and Safety Conference
San Antonio, Texas
March 23-25, 2009

Recent Federal Regulatory Initiatives – Not GHG Related

- SPCC
 - to be discussed by Donald Smith
- CBM ELGs
 - EPA conducting survey of CBM operators
 - Results to determine whether ELGs are necessary
- Storm water
 - Regulations implemented in response to 2005 Energy legislation vacated; future unclear
- Climate Change related
 - GHG Emissions Inventory
 - Regulation of CO₂ injection & storage
- ESA
- CAA (NESHAPS, NSPS, Ozone, CO₂?)

Recent State Regulatory Initiatives

- Colorado
 - New regulatory rules promulgated by COGCC in December, 2008; awaiting approval of state legislature
- New York
 - To address concerns about Marcellus and Utica gas shales, the NY DEC preparing a Supplemental Generic Environmental Impact Statement (GEIS)
 - Draft GEIS should be released later this spring; new regulatory requirements likely to result
- New regulations recently promulgated in many other states, including NM, TX, LA, OH, PA, AR
- Other state initiatives under consideration related to shale gas and hydraulic fracturing
 - to be discussed by Dan Arthur

Obama Administration Initiatives

– Modifying the Tax Code for the O&G Industry

- Obama Administration's budget request could radically change the tax code for U.S. E&P
 - Proposes to Levy excise tax on GOM production subject to MMS errors in implementing previous deepwater royalty relief provisions
 - Proposes to repeal R&D funding provisions of the 2005 Energy Act
- Pull back on several lease sale decisions made in last days of Bush Administration

2009 Congressional Initiatives

- Stimulus packages – likely to be more; most recent
 - Focuses “green” energy technologies
 - Authorizes \$3.4 billion for carbon capture & storage demos (possibly including EOR/sequestration demos)
- OCS/onshore leasing legislation
 - “Use it or Lose it”
- Legislating tax code items in Obama budget request
- Amending legislation regarding O&G industry treatment under major environmental statutes
 - Topic of the Plenary discussion this morning
- Climate legislation

Climate Legislation will be High Priority of 111th Congress

- Legislation to be considered:
 - Cap & Trade (resolution by Copenhagen mtg in Dec)
 - Long-term stewardship & subsurface ownership/rights
- Stimulus” efforts to “kick start” CCS projects
- Some regulatory efforts on O&G industry possibly conflict with climate objectives



Upcoming API Waste Survey

- In 1985 & 1995, API conducted statistical surveys of the industry to gather information about E&P wastes
 - Examined volumes of produced water, drilling waste, and associated wastes generated from E&P, and how those wastes were managed and disposed
- API plans to update survey in 2009
 - Companies will be randomly selected to respond
- More up-to date information on industry waste volumes and management practices will be critical to informing legislative and regulatory deliberations
- **IF YOU RECEIVE A SURVEY FORM – PLEASE RESPOND!**