



**JUST
THE
FACTS**



Produce, But Do Not Drill: What is Biden Administration's Oil & Gas Policy?

Comments from a number of Biden Administration officials in recent weeks about energy policy – specifically one regarding the production and refining of more oil and natural gas during a period of high prices – point to general confusion and a profound misunderstanding about how these products are made. This confusion and misunderstanding at the highest levels of government, in turn, make it clear that oil and natural gas advocates need to continue to provide the basic facts – to a large segment of the general population – about the steps to produce, refine or process, and transport these energy sources.

Here are a few statements from those officials and the realities they are running up against:

President Biden sent a letter to oil refiners on June 14, claiming the companies were engaging in price gouging and imploring them to find ways to refine and produce more gasoline. This follows Biden's suspension of all federal leasing announced the day he took office, and the U.S. Department of the Interior's (DOI) postponement of an early June lease of about 200 square miles of land in several western states (the lease was delayed a second time, ultimately taking place on June 29-30).

This was the government's first federal auction since Biden took office, and made possible only after a federal court decision blocking the suspension. DOI also announced in April that royalty payments in new leases will increase from 12.5 to 18.75 percent – a jump of 50 percent.

Around that same period – April 20, 2022 – National Climate Advisor Gina McCarthy said in an MSNBC interview: "Let me answer your question very directly: President Biden remains absolutely committed to not moving forward with additional drilling on public lands."

Considering the commitment of a 10-year federal lease term and mixed messages coming from the administration, is it any wonder companies are hesitant to risk both the initial investment followed by a drilling program with an uncertain potential of having a pipeline permitted to transport oil, or a refinery to process it?

Produce Now, But Go Away Later

Turn now to Department of Energy (DOE) Secretary Jennifer Granholm, who stated in an interview in mid-June that the president "is also asking, of course, for the oil and gas industry to increase supply as well by drilling more. They are about 100 rigs shy of what they were before COVID. They need to increase supply." Her urgent call for more drilling and refining here was followed by a longer-term caution during the interview (emphasis added), "What we're saying is *today* we need that supply increased. Of course, *in five or ten years – actually, in the immediate*, we are also pressing on the accelerator, if you will, to move toward clean energy so that we don't have to be under the thumb of petro dictators like Putin or at the *whim of the volatility of fossil fuels.*"

White House Climate Envoy John Kerry echoed a similar sentiment last month at a University of Southern California Center for Public Diplomacy event, stating: “Energy security worry is driving a lot of the thoughts now that we need more drilling of gas, we need more drilling of oil, we need more coal: No, we don’t. We absolutely don’t, and we have to prevent a false narrative from entering into this.”

These direct quotes from those officials do not appear to make the investment of billions of dollars needed to quickly drill, produce, transport and refine oil a solid bet, considering a potential concerted effort by the federal government to pull the rug on those investments within a decade.

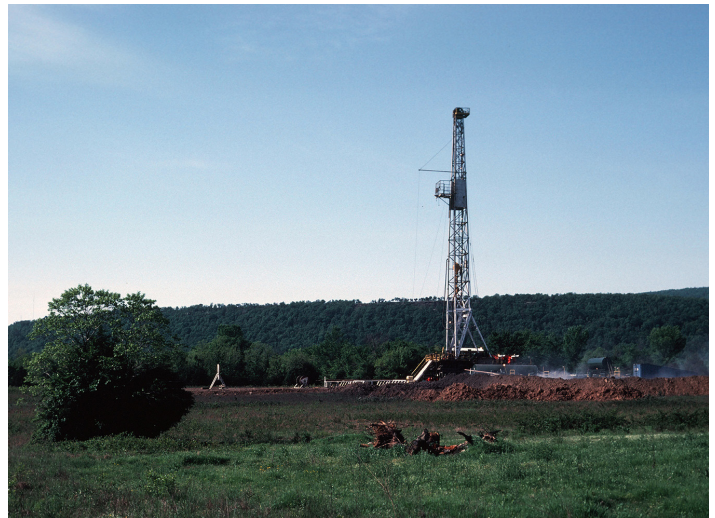
Just Use the Oil that is “Out There”

The last unfortunate example of the Biden Administration’s uninformed position on how oil and gasoline are made came from press secretary Karine Jean-Pierre on Thursday, June 16, when a reporter asked, “why not just drill more here in the U.S., though?”

Her response: “Because we don’t need to do that. What we need to do is, with the oil that’s out there, we need them to refine that oil so that the capacity can go up and that prices would go down.”

Seemingly left unsaid by the press secretary is what happens when the “oil that’s out there” is refined and used.

Finally, a June 23 meeting between the largest oil and natural gas production companies and DOE, while seemingly more cordial than other recent positions taken by members of the Biden Administration, did not result in any significant breakthroughs to the current pricing situation.



The Facts

The facts are that the U.S. Energy Information Administration currently estimates that the nation’s refining capacity is operating at a 94.2% rate, and that older refineries in need of billions to operate safely and meet environmental regulations are potentially poor investment risks if the government continues to push to drive them out of business in a decade. Public education about the economic realities of global energy markets is critical, along with the need for policies that encourage investment in domestic oil and gas production and infrastructure development. PIOGA will continue to work with members and allies to deliver those messages.



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