AMERICAN EXPLORATION & PRODUCTION COUNCIL

Board Meeting

August 9, 2024

AMERICAN EXPLORATION & PRODUCTION COUNCIL

August 2, 2024

Dear Board of Directors:

We look forward to seeing you all in Houston next week for our summer board meeting and are excited to present a mid-year look at AXPC's regulatory, legislative, communications, and grassroots efforts and our plans for the future.

Much of the first part of the year was focused on the upcoming regulatory landscape across Congress and different government agencies. Now the regulatory environment is a bit clearer, we will provide an update on the implementation, impact, and potential changes or challenges to new federal rules.

Given the uncertain outcome of the 2024 election, we look forward to walking through the spectrum of power-sharing scenarios in Washington. Each scenario offers unique challenges and opportunities to American energy production, and we will walk through AXPC's legislative and regulatory priorities within each scenario.

Joining us for dinner will be John Arnold of Arnold Ventures to talk about the role of natural gas and grid reliability in a power-hungry world. John, alongside his wife, Laura, are the founders and co-chairs of Arnold Ventures, a philanthropy working to improve the lives of all Americans by advocating for policy reforms in criminal justice, higher education, health, infrastructure and public finance.

We encourage you all to review the Board materials in advance and look forward to engaging and thoughtful discussions next week.

Sincerely,

Anne Bradbury

Anne Bradbury
President & CEO
American Exploration and Production Council

Table of Contents

Schedule of Events

THURSDAY, AUGUST 8, 2024

AXPC Reception

Who: Board of Directors, AXPC Members, Friends of AXPC
When: 5:00-6:30PM CT
Where: The Houstonian- *Aspen Ballroom*
111 N Post Oak Lane
Houston, TX 77024
NOTE: We invite staff to stay past 6:30PM, when we will continue the gathering and provide additional food and drinks for dinner in the Magnolia Room.

AXPC Board of Directors Dinner

Who: AXPC Board of Directors
Dinner Guest: John Arnold- *Arnold Ventures*
When: 6:30PM CT
Where: The Houstonian- *Hearth Room*
111 N Post Oak Lane
Houston, TX 77024

FRIDAY, AUGUST 9, 2024

Board of Directors Meeting

When: 7:00-8:00AM CT: Breakfast- *Juniper Ballroom*
8:00AM-3:00PM CT: Board Meeting
Where: The Houstonian- *Juniper Ballroom*
111 N Post Oak Lane
Houston, TX 77024

Please contact Rachel Coval with any questions.
Email: rcoval@axpc.org Cell: 570-351-2042

John Arnold is founder and co-chair of Arnold Ventures. The philanthropy's core mission is to invest in evidence-based solutions that maximize opportunity and minimize injustice.

Mr. Arnold is also founder of Centaurus Capital LP, a family office investment fund with a specific focus on the energy industry.

Previously, Mr. Arnold founded and was CEO of Centaurus Energy, a multi-billion dollar energy commodity hedge fund. Prior to founding Centaurus Energy, he held various positions within Enron's wholesale division, including head of natural gas derivatives. In May 2012, Mr. Arnold announced his retirement from Centaurus Energy to concentrate on philanthropic activities.

He serves on the boards of Breakthrough Energy Ventures, an investor-led venture capital firm dedicated to funding transformational technologies that will reduce global greenhouse gas emissions; Civica, Inc., a nonprofit generic pharmaceutical company; and the City Fund, a nonprofit dedicated to supporting new governance models in K-12 education.

Mr. Arnold holds a BA from Vanderbilt University and lives in Houston, Texas, with his wife and three children.

https://www.energypolicy.columbia.edu/john-arnold/

AMERICAN EXPLORATION & PRODUCTION COUNCIL

Board of Directors Meeting Attendees

August 9th | Houston, TX

Please note that all Board Members will be accompanied by a staffer.

* Mark Maddox	Apache Corporation
Jeff Fisher	Ascent Resources
Julia Gwaltney	Baytex Energy
Nick Dell'Osso	Chesapeake Energy Corporation
* Shannon Kinney	Chord Energy
Chris Doyle	Civitas Resources
* Gina Felton	ConocoPhillips
Thomas Jorden	Coterra Energy
* David Harris	Devon Energy Corporation
Travis D. Stice	Diamondback Energy
Rusty Hutson	Diversified Energy
Hardy Murchison	Encino
Michael Donaldson	EOG Resources
Toby Rice	EQT Corporation
Greg Lalicker	Hilcorp Energy
Tom Hart	Jonah Energy
** Chris Stavros (guest)	Magnolia Oil & Gas Corporation
Lee Tillman	Marathon Oil Corporation
* Drew Robinson	Mewbourne Oil Company
* Shea Loper	Ovintiv
Will Hickey	Permian Resources Corporation
* Jasmine Allison	PureWest Energy
Dennis Degner	Range Resources
Justin Loweth	Seneca Resources
* Chris Lacy	Southwestern Energy Company
Craig Bryksa	Veren
Jason Pigott	Vital Energy
Barton Cahir	XTO Energy, Inc.

* Proxy
** Attending the board dinner only

American Exploration and Production Council Antitrust Policy

Effective December 2023

The purpose of this Policy is to assist employees, officers, directors, members, and consultants of the American Exploration and Production Council (AXPC) comply with the requirements of federal, state, and local antitrust laws. This Policy applies to all activities of the AXPC and its employees, officers, directors, members, and consultants.

Statement of Policy

It is the policy of the AXPC to comply fully with all federal, state, and local antitrust laws, including the following:

1. Section 1 of the Sherman Act, prohibiting contracts, combinations, and conspiracies in restraint of trade.
2. Section 2 of the Sherman Act, prohibiting monopolization, attempts to monopolize, or conspiracies to monopolize.
3. Section 5 of the Federal Trade Commission Act, prohibiting unfair methods of competition.
4. The District of Columbia Antitrust Act and other state or local antitrust laws, which contain similar prohibitions as the Sherman and FTC Acts.

Required Meeting Procedures

All AXPC meetings should:

1. Begin by reading the AXPC Antitrust Statement for Meetings.
2. Follow a prepared agenda.
3. Where appropriate, include a copy of this Antitrust Policy in meeting materials.
4. Where appropriate, include antitrust counsel.

All meetings – whether formal or informal – involving members or competitors shall be conducted according to the requirements of this Antitrust Policy.

Antitrust Guidelines

AXPC employees, officers, directors, members, and consultants **shall not** engage in discussions or exchanges of information that involve:

1. Non-public pricing terms, including discounts, terms of sale, credit terms, or margins.
2. Plans to enter or exit markets, or other strategic plans.
3. Customers, prospective customers, or markets served.
4. Costs, wages, terms of employment, or plans regarding employees.
5. Plans to increase or decrease output or capacity.

AXPC employees, officers, directors, members, and consultants **shall not** engage in discussions or agree to:

1. Set prices, pricing terms, output, capacity, market shares or other terms of competition.
2. Divide or allocate markets, customers, products, or services.
3. Exclude or otherwise disadvantage competitors or potential competitors.

4. Set wages, terms of employment, or agree not to employ certain employees or groups of employees.

AXPC employees, officers, directors, members, and consultants **shall**:

1. Follow this Policy at all times, whether in or outside of formal AXPC meetings.
2. Ensure that all meetings are conducted according to a prepared agenda.
3. Object to any discussions or meetings that appear to violate this Policy, ask that the meeting minutes reflect your objection, and leave or suspend the meeting if necessary.
4. Raise any antitrust concerns with the President and CEO or counsel.
5. Be conservative and refrain from any discussions or conduct that may be improper.

This Policy is intended to provide general guidance on complying with federal, state, and local antitrust laws. Not every situation can be anticipated. If you have any questions or concerns about a specific situation or compliance with this Policy, please reach out to the President and CEO or counsel.

###

Business Session

AMERICAN EXPLORATION & PRODUCTION COUNCIL

Board Meeting Agenda

August 9, 2024
8:00 a.m. – 3:00 p.m. CT
in Houston, TX and Via Video/Tele-Conference

7:30 a.m.	Breakfast	
8:00 a.m.	Call to Order and Appointment of Meeting Secretary	Travis Stice, Diamondback
8:05 a.m.	Business Session	
	• Safety Moment	Hannah Cooke
	• Antitrust Caution	
	• Welcome	
	• Approve Minutes of April 2024 Meeting*	
	• Treasurer's Report	Mike DeStefano, Lane CPA
	• 2025 Board Meeting Dates	
8:30 a.m.	CEO Update	Anne Bradbury
8:45 a.m.	Departmental Updates	Wendy Kirchoff Parker Kasmer Mark Bednar
9:30 a.m.	AXPC Organization Planning & Due Modeling	Anne Bradbury
10:15 a.m.	Break	
10:30 a.m.	Scenario Planning for 2025	Team AXPC
	• Overview	
	• Tax and Trade	
	• Methane	
	• Permitting Reform	
	• 2025 Policy Roadmap	
12:00 p.m.	Break for Lunch	
12:15 p.m.	HSE Survey Update	Rebecca Denney
12:45 p.m.	Gas/Electric Coordination for Grid Reliability	Ben Schoene, COP
1:15 p.m.	Political Updates and Activities	Team AXPC
2:15 p.m.	Adjourn	
2:15 p.m.	Executive Session	

**Items requiring Board approval.*

AXPC Board Meeting Minutes

April 11, 2024

ATTENDANCE:
John J. Christmann IV, Apache Corporation; Jeff Fisher, Ascent Resources; Eric Greager, Baytex Energy; Nick Dell'Osso, Chesapeake Energy Corporation; Danny Brown, Chord Energy; Chris Doyle, Civitas Resources; Nick Olds, ConocoPhillips; Thomas E. Jorden, Coterra Energy Inc.; Richard E. Muncrief, Devon Energy; Travis D. Stice, Diamondback Energy, Inc.; Hardy Murchison, Encino; Ian Dundas, Enerplus Resources; Pamela Roth, EOG Resources, Inc.; Toby Rice, EQT Corporation; *Alex Mistri, Hess Corporation; Greg Lalicker, Hilcorp Energy; *Bill Buese, Jonah Energy; Lee Tillman, Marathon Oil Corporation; Ken Waits, Mewbourne Oil Company; *Shea Loper, Ovintiv, Inc.; *John Bell, Permian Resources Corporation; Rich Dealy, Pioneer Natural Resources Company; Chris Valdez, PureWest Energy; Dennis Degner, Range Resources; Justin Loweth, Seneca Resources; Herb Vogel, SM Energy Company; *Chris Weikle, Southwestern Energy Company; Jason Pigott, Vital Energy; Barton Cahir, XTO Energy

*Indicates Board Proxy

Not Present: Antero Resources Corporation, Crescent Point Energy Corporation, Diversified Energy, Gulfport Energy

CALL TO ORDER AND BUSINESS SESSION:
AXPC Chair and Diamondback Energy President and CEO Travis Stice called the meeting to order and appointed Rebecca Denney as the meeting secretary.

Matt Garner of Chesapeake Energy outlined safety procedures.

Travis provided the anti-trust statement and gave opening remarks. Rich Dealy made a motion to approve the minutes of the November 2023 meeting. The motion was approved via voice vote.

Travis introduced Mike DeStefano, from Lane CPA, to walk the board through the treasurer’s report.

Travis provided an overview of future meeting dates in 2024 and encouraged everyone to participate in the June 13 & 14 Executive Fly-In.

CEO UPDATE
Anne Bradbury, President and CEO of AXPC, shared an overview of the many efforts the AXPC staff led over the past 6 months including royalty studies, LNG pause work, and the regulatory tsunami cresting.

STRATEGIC PLAN PRESENTATION
Anne, along with Travis, Meena Dayak and Chris Koehler, of McKinley Advisors, presented the draft strategic plan. They addressed the response rate to the survey, questions over gaps or dissatisfaction areas, and led a broad discussion of AXPC’s responsibility for educating policymakers and the public on energy. Further discussion on the key pillars of AXPC’s success and agreement that they should remain unchanged.

Anne addressed establishing a working group and committed to coming back in August with a more tactical recommendation for membership model updates supported by the board.

BREAK
The meeting paused for a small break.

REGULATORY UPDATE
Wendy Kirchoff, Rebecca Denney and Troy Lyons provided regulatory updates on OOOOb/c, Subpart W, WEC, Federal Lands, BLM Venting and Flaring Rule. They also outlined updates on political strategies on these rules.

GOVERNMENT AFFAIRS UPDATE
Troy Lyons provided an update on the government affairs strategies and wins that AXPC has led in relation to our priorities.

BREAK FOR LUNCH
The meeting paused for a brief lunch break.

COMMUNICATIONS UPDATE
Mark Bednar introduced himself to the board of directors and then provided updates on communications strategies and growth in influence.

POLITICAL UPDATE
Anne and Troy shared an update on the political landscape going into election season for 2024.

ADJOURNMENT
Travis Stice thanked the group for their attendance and participation, then adjourned the August Board Meeting and moved into Executive Session.

EXECUTIVE SESSION

AXPC
Statement of Financial Position
June 30, 2024

ASSETS

Cash and cash equivalents	$	8,783,066
Accounts receivable		36,927
Prepaid expenses		2,332
Furniture and equipment, net		38,075
ROU asset - office space lease		475,256
Security deposit		22,156
Deferred compensation plan asset		83,736
Total Assets	$	9,441,548

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	$	554,385
Lease liability		580,090
Deferred compensation plan liability		83,736
Total Liabilities		1,218,211
Net Assets		
Net assets without donor restrictions		7,747,444
Net assets without donor restrictions - Advocacy Fund		475,893
Total Net Assets		8,223,337
Total Liabilities and Net Assets	$	9,441,548

These financial statements, prepared by Lane & Company, CPAs, were not subject to an audit or other assurance services. Management has elected to omit substantially all required audit disclosures.

AXPC
Statement of Activities - Actuals vs. Budget
For the Six Months Ended June 30, 2024

Revenue and Support	Without Donor Restrictions	Advocacy Fund	Total	Budget to Date	
Membership dues	$ 6,100,000	$ 500,000	$ 6,600,000	$ 6,800,000	**A**
Supplemental assessment	1,840,000	-	1,840,000	1,500,000	**B**
Interest income	140,483	-	140,483	82,500	
Total Revenue and Support	8,080,483	500,000	8,580,483	8,382,500	
Expenses					
Personnel and related	1,294,761	-	1,294,761	1,301,140	
Travel and professional development	203,461	-	203,461	173,500	**C**
Professional services and fees	137,500	-	137,500	98,250	**D**
Office rent, leases and maintenance	62,454	-	62,454	70,000	
Government affairs	304,015	-	304,015	317,500	
Communications	113,604	-	113,604	157,500	**E**
Regulatory	346,001	-	346,001	387,500	**F**
Membership	74,048	-	74,048	80,000	
Supplemental assessment expenses	624,902	-	624,902	1,125,000	**G**
Advocacy Fund expenses	-	240,928	240,928	350,000	**H**
Depreciation expense	6,588	-	6,588	6,600	
Total Expenses	3,167,334	240,928	3,408,262	4,066,990	
Change in Net Assets	4,913,149	259,072	5,172,221	$ 4,315,510	
Net Assets, Beginning of Period	2,834,295	216,821	3,051,116		
Net Assets, End of Period	$ 7,747,444	$ 475,893	$ 8,223,337		

Variance Explanations

A Dues revenue is under budget due to a dues payment to be received.

B Supplemental assessment revenue is over budget due to funds received for an added-on project.

C Travel and professional development is over budget due to upfront payments for subscriptions and conferences. The monthly allocation of the annual budget will catch up with the actuals over time.

D Professional services is over budget due to upfront payment of the annual audit and ad hoc association consulting.

E Communications is under budget due to consulting services that will be incurred.

F Regulatory is under budget due to rulemaking comment consulting that will be incurred.

G Supplemental assessment expenses are currently under budget due to issue advocacy expenses that will be incurred as we approach the election.

H Advocacy Fund is under budget due to timing of costs to be incurred.

AXPC
Cash Reserves, Advocacy Fund, and Supplemental Assessment
June 30, 2024

Cash Reserves

Cash and cash equivalents, June 30, 2024	$	8,783,066
Plus:		
Dues to be received		250,000
Projected interest income to be received		150,000
Less:		
Accounts payable and accrued expenses to be paid		(554,385)
Budgeted expenses to be incurred		(5,834,218)
Projected cash reserves, December 31, 2024	$	2,794,463
2024 budgeted operating expenses*	$	6,772,480

*Operating expenses are determined as total 2024 budgeted expenses, less accounts that management deems as off-ramps that can be reduced as operationally needed. As of 6/30/2024, there are approximately 5 months of operating expenses in year-end cash reserves.

Advocacy Fund Spending

Spending Category		Actuals		Committed		Totals
Communications	$	77,373	$	-	$	77,373
Consulting		98,555		-		98,555
Content creation		-		80,000		80,000
Coalitions		50,000		-		50,000
Grassroots		15,000		-		15,000
Totals	$	240,928	$	80,000		320,928
				Beginning of year funding		716,821
				Remaining balance	$	395,893

Supplemental Assessment Spending

Spending Category		Actuals		Committed		Totals
Grassroots Engagement	$	183,772	$	116,000	$	299,772
Issue Advocacy		102,425		-		102,425
Consulting + Compliance		75,000		75,000		150,000
Regulatory		263,705		72,218		335,923
Totals	$	624,902	$	263,218		888,120
				Total Supplemental Assessment budget		2,250,000
				Remaining balance	$	1,361,880

These financial statements, prepared by Lane & Company, CPAs, were not subject to an audit or other assurance services. Management has elected to omit substantially all required audit disclosures.

Save the Date

2025 Board of Directors Meetings

April 9-10

Board Dinner and Meeting

Texas

July 23-24

Board Dinner and Meeting

Denver, CO

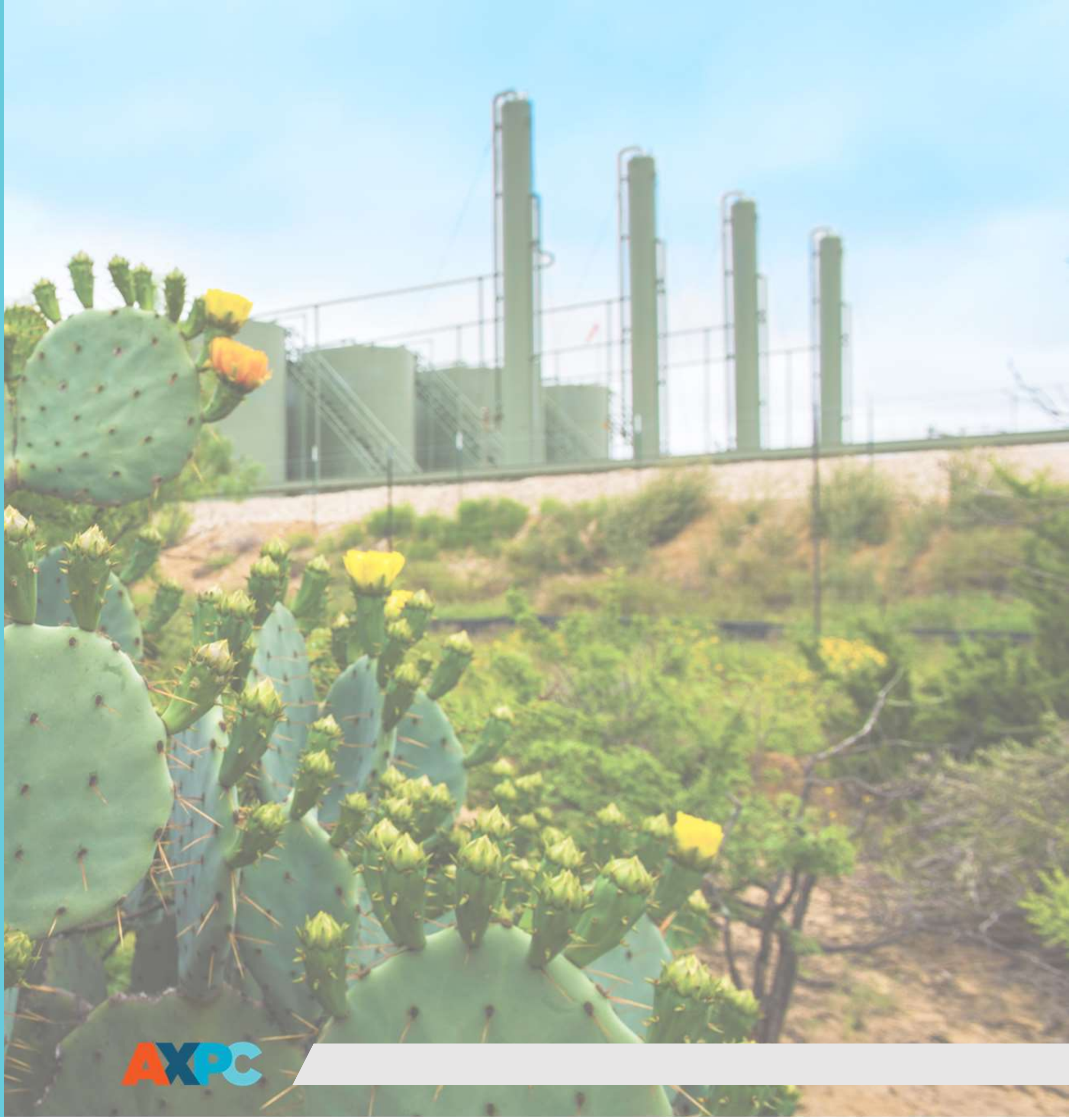
November 19-20

Board Dinner and Meeting

Washington, DC


PROUD
AMERICAN
ENERGY
WORKER

CEO Update



Staff Updates

Wendy Kirchoff
Senior Vice President of Policy

Parker Kasmer
Vice President,
Government Affairs

Key Dates

August 12-14
Congressional Rig Tour
Dickinson, ND

September 17-18
EHS Biannual Meeting
Washington, DC

Week of September 30
Congressional Rig Tour
Pennsylvania

October 16-17
ESG Forum
TBD

October 23-24
Coordinating Committee
Washington, DC

November 20-21
Board of Directors
Dinner & Meeting
Washington, DC

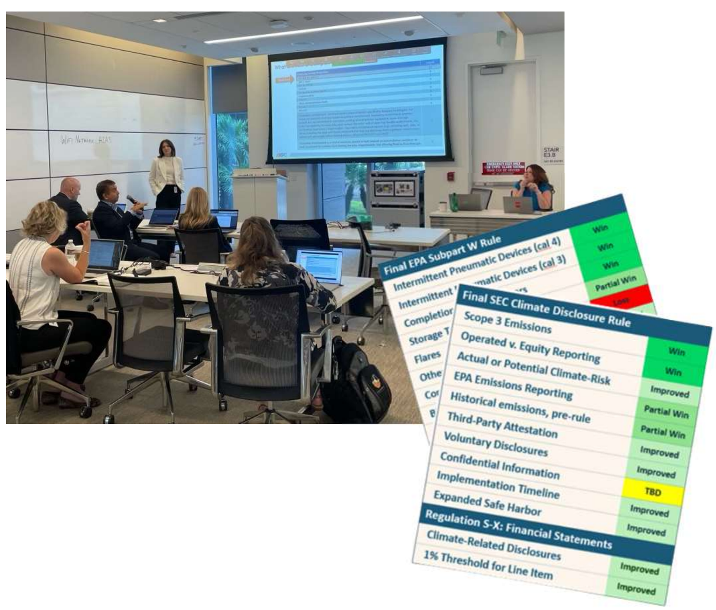
AXPC

AXPC Executive Fly In

June 12 + 13

Regulatory Successes

Meaningfully improving proposed rules, supporting compliance efforts, and working to address flaws in finalized regulations



AXPC Rig Tours

Coterra Energy

Staff Rig Tour
Montrose, PA

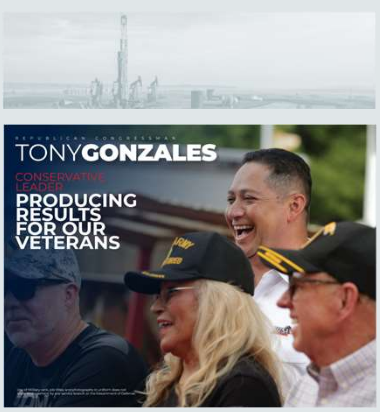
Range Resources

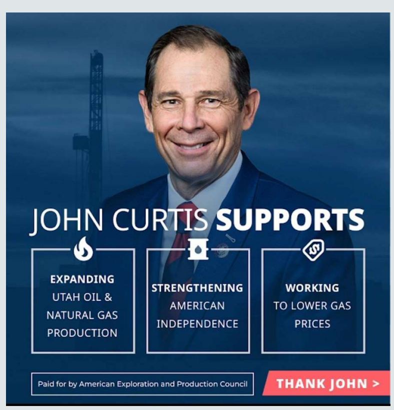
David McCormick, US Senate Candidate
Tarentum, PA

Ascent Resources

The House Ways & Means Supply Chains Tax Team
Chairwoman Carol Miller
Cambridge, OH

Political Initiative





AXPC at the RNC

AXPC

DNC Billboards

AXPC

Regulatory Update

The Aftermath of the Regulatory Tsunami

Final Rules implementing as we near the end of President Biden's first and only term
… most subject to legal challenges

- **GHG Emissions and Reporting**
- **NEPA and Permitting Reform**
- **Federal Lands Programs/Access**
- **SEC Climate Disclosure Rule**

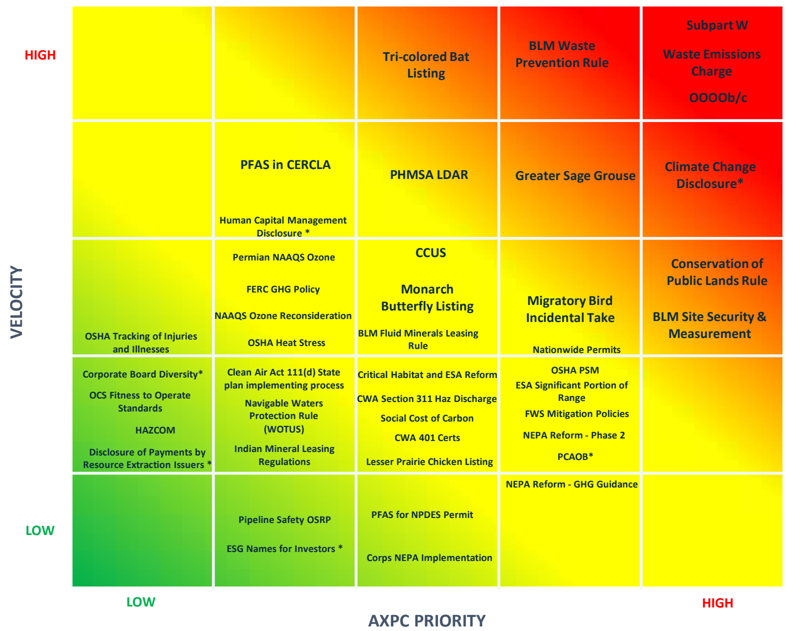
Federal Rulemakings Estimated Timeline

Issues	Status Notes	Next phase	April	May	June	July	Aug	Sept	Oct	Nov	Dec	TBD
SEC Climate Disclosure	Stayed 4/4/24	Implementation		LITIGATION								
EPA Methane Rule - OOOObc	Effective 5/7/24	Reconsideration / Implementation			LITIGATION							
FWS ESA Regulations	Effective 5/6/24	Implementation										
BLM Waste Prevention	Effective 6/10/24	Implementation				LITIGATION						
BLM Fluid Mineral Leasing	Effective 6/22/24	Implementation				LITIGATION						
BLM Conservation Public Lands	Effective 6/10/24	Implementation				LITIGATION						
CEQ NEPA Phase 2	Effective 7/1/24	Agency Implementation					LITIGATION					
EPA GHGRP Revisions - Subpart W	Effective 7/15/24	Implementation (1/1/25)					LITIGATION					
CRA Lookback Deadline - current estimate is May 22, 2024												
EPA Waste Emissions Charge	Commented 3/26/24	Final Rule										
BLM Site Security and Measurement	Pre-Rule stage	Proposed Rule										
OSHA PSM - Enforcement Disretion	Pre-Rule stage	Analyzing Comments										
USACE Nationwide Permit 12	Pre-Rule stage	Proposed Rule										
FWS ESA Significant Portion of Range	Pre-Rule stage	Proposed Rule										

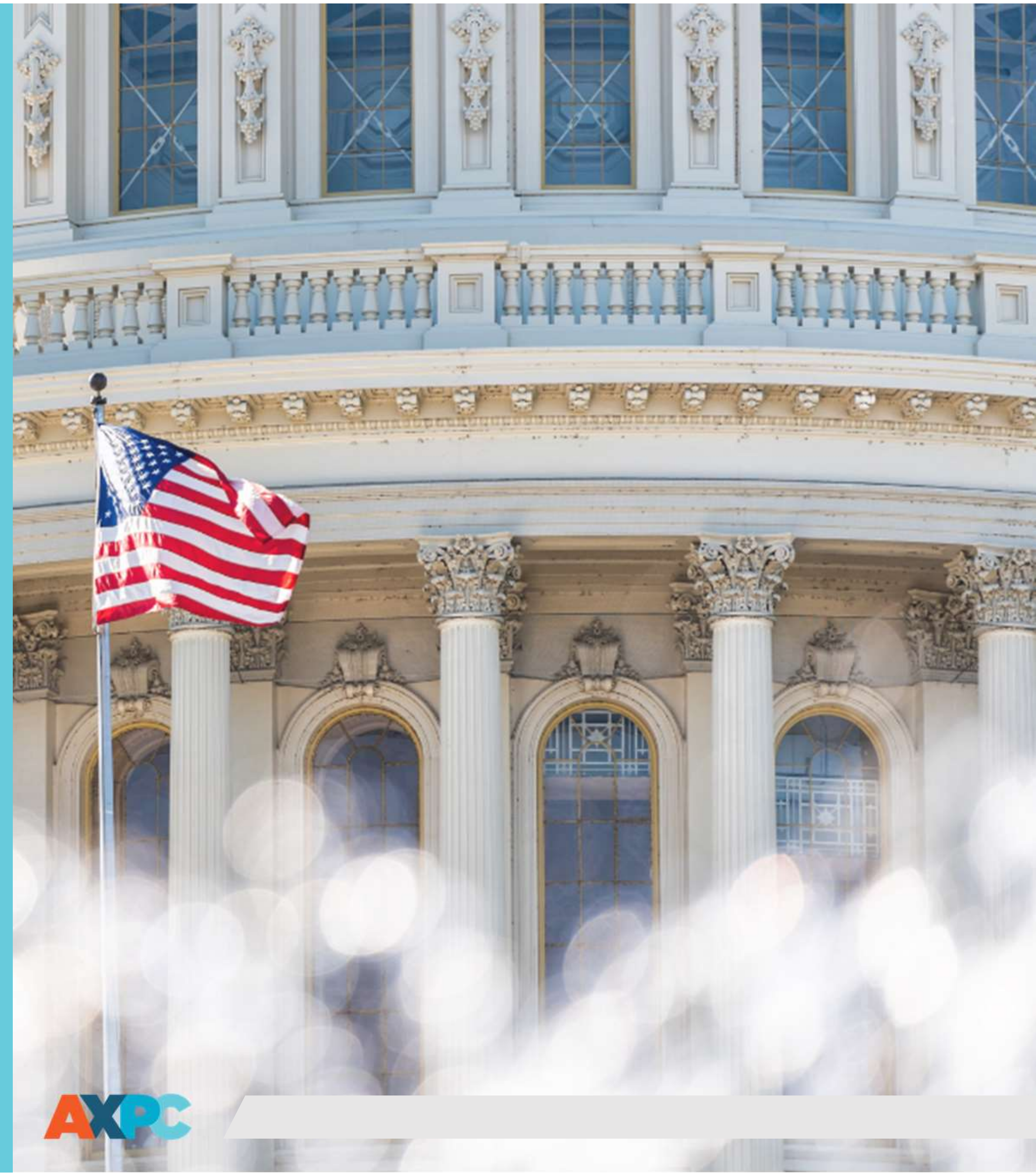
Updated 7/25/24

AXPC Reg Policy Heatmap

- **Priority:** Subjective assessment priority to AXPC as an organization taking into account impact, ability to influence, and importance
- **Velocity:** how fast the issue is moving/evolving



Government Affairs



Theory of Engagement

Layering trust, subject-matter expertise, and organizational capabilities with disciplined strategic planning

1 Open Engagement

2 Evidence-Based Advocacy

3 Integrated Programs

Objectives

Tactics

Campaign-Style Advocacy: A Model Framework

Facts and Figures:
What is the most impactful evidence?

Messaging Development and Framework:
What is the most effective messaging?

Stakeholder Mapping and Engagement:
Who are the decisionmakers and where do they sit on the ally/neutral/skeptic spectrum

Strategic Plan:
How to bring together objectives and tactics to drive awareness, education, and policy action?

Skeptics → Neutrals → Allies

Policy Update on Issue Priorities

Tax

- Both parties and both chambers planning for 2025
- Multiple tax teams organized by issue area
- IDC bills remain in committee

Outcomes:

- Hosted roundtable / rig tour with Supply Chains Tax Team
- Coordinated member submissions on tax priorities to stakeholder portal
- Initiated coalitions call with Rep. Carey (R-OH)

Appropriations

- Govt. funding runs through Sept.
- 5 of 12 House subcommittee bills passed including Interior
- Future negotiations on stop-gap and FY2025

Outcomes:

- Secured key policy riders blocking implementation of methane tax and NEPA Phase 1 / 2 reviews
- Included language removing DOE jurisdiction on LNG export decisions in Energy bill

Congressional Review Act

- CRA resolutions seek to block or undo final regulations
- Messaging and functional depending on election outcomes

Outcomes:

- Supported bipartisan, bicameral resolution on NEPA Phase II final rule
- Supported Senate and House resolutions on endangered designation of dunes sagebrush lizard

AXPC

Policy Action in Motion: Driving IDC Momentum

Building support on H.R. 5073 / S. 3381

- Down-dais engagement
- Co-sponsor round-up
- Coalitions call with industry and third-parties

Elevating through leadership tax teams

- Focused on corporate tax rate and IDCs
- Member submissions through stakeholder portal
- Rig tour with Reps. Miller (R-WV), Feenstra (R-IA), and Fischbach (R-MN)

Pursuing targeted fix in 2024 while laying foundation for 2025

- End-of-year opportunities
- Scenario planning for election outcomes

Miller's Supply Chains Tax Team Hosts Roundtable, Tours Oil and Gas Rig

July 26, 2024 | Press Release

"I had a wonderful time visiting the Ascent Resources oil and natural gas rig in Ohio with my tax team to see and discuss oil and gas extraction. Both Ohio and West Virginia are full of invaluable energy sources, that's why it's our goal to rely on our own sources found here in the United States to keep our country energy independent. We must also protect intangible drilling costs and percentage depletion to create more opportunities to drill for oil and gas in the United States which will produce additional jobs, promote investment, and strengthen our national economy," ***said Congresswoman Miller.***

"I was excited to join my fellow Supply Chains Tax Team members in Ohio. We took a tour to see for ourselves just how complex oil and natural gas production really is. We also had a productive roundtable discussion on the importance of domestic fuel production for our economy and our national security. I am committed to American energy independence. I enjoyed hearing the industry perspective regarding what Congress can do, specifically regarding tax policy, to support our fuel production industries and lower energy costs for consumers," ***said Congresswoman Fischbach.***

"Following our recent trip to Southwest Virginia, I enjoyed touring an oil rig in Ohio to see the unlimited potential of American energy production. We had a firsthand look at the intricacy of oil extraction and its importance to our economy. American energy production strengthens our economy, supports good jobs, and protects our national security. As a member of the Supply Chains Tax Team, I will continue to work with my colleagues to support homegrown American energy like oil, gas, and Iowa biofuels," ***said Congressman Feenstra.***

AXPC

Communications

New Audiences & New Voices

DC JOURNAL
AN INSIDESOURCES PUBLICATION
by Ed Towns

[IS] OPINIONS Energy

Landmark Emissions Study Says LNG Is Better Alternative for Environment

Posted to Energy May 17, 2024 by Ed Towns

Email Print Share This Tweet This

Liquefied Natural Gas, or LNG, has been at the forefront of the global discussion on climate policy, energy, and emissions for decades

TheWell NEWS by Joel Rubin

Biden Rallied the World at the G7, He Has More Arrows to Use Against Russia

COMMENTARY

July 11, 2024 by Joel Rubin, National Security & Foreign Policy Expert

npr by Jeff Brady

Biden has taken more action on climate than any president. His pitch? It creates jobs

JUNE 26, 2024 · 5:02 AM ET

HEARD ON MORNING EDITION

Jeff Brady

"While we are very supportive of the shared goals of creating lower emissions globally, we have huge concerns with the way President Biden has gone about it," says Anne Bradbury, chief executive of the American Exploration & Production Council.

CLIMATE
U.S. cut climate pollution in 2023, but not fast enough to limit global warming

She cites Biden administration efforts she says have hurt the domestic oil and gas industry, including new environmental regulations, restrictions on natural gas exports and the push toward electric vehicles and away from fossil fuels in homes and buildings.

Bradbury argues these policies could have unintended consequences that increase pollution.

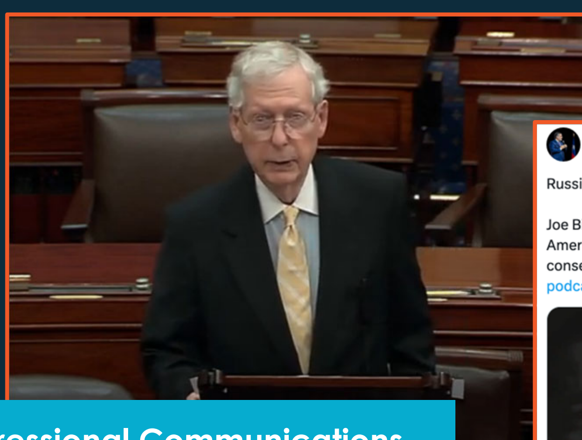
"By focusing on policies that reduce or restrict U.S. oil and gas production, you're actually empowering producers like Iran and Russia," Bradbury says, noting those countries have lower environmental standards.

AXPC

Real Life Stories

AXPC

Congressional Communications Engagement
Earned Media



Congressional Communications Engagement
Member Verbal Messaging

LinkedIn: Unique Social Media Audience

Despite having a smaller following, AXPC is more active and has a more engaged audience than allied trades.

Total post metrics
Last 30 days

1	American Exploration & Production Council	55 new followers	24 ▲20%
2	Independent Petroleum Association of America - IPAA	62 new followers	20 •0%
3	Texas Oil & Gas Association	197 new followers	19 ▼24%
4	API - American Petroleum Institute	625 new followers	10 ▼23.1%

Total engagement metrics
Last 30 days

1	API - American Petroleum Institute	103,899 total followers	773 ▼14.8%
2	Texas Oil & Gas Association	30,685 total followers	732 ▲16.9%
3	American Exploration & Production Council	2,768 total followers	457 ▲241%
4	Independent Petroleum Association of America - IPAA	7,514 total followers	377 ▲37.1%

AXPC

AXPC Org Scenario Planning and Dues Modeling

AXPC Working Group

1. Review strategic plan and recommend AXPC resourcing goal
2. Explore and recommend funding options to reach resourcing goal

23 Companies Involved	Diverse Range of Members	3 Meetings over 3 months

Guiding Principles for Decision-Making

Board retains upstream focus	All board members have equal voice	Collaborative, collegial relationship between companies	Adequately resourced to pursue mission and strategy on behalf of members

Public Policy Influence and Capacity

Expand AXPC's ability to advance federal public policy that enhances energy security and the responsible exploration and production of domestic oil and natural gas

Objectives

- Advance and support the oil and gas industry by monitoring federal policymaking and related industry issues to determine where and how AXPC can achieve maximum impact
- Advocate for oil and gas exploration and production by influencing favorable federal legislation and nurturing strong bipartisan relationships in the U.S. Congress
- Drive effective regulatory policies that allow upstream development and innovation, by building greater expertise and deeper connections with federal agencies

Outcomes

- Members have pertinent, timely information on key policy developments impacting industry
- Improved outcomes and mitigation of risks on key federal policy
- Strategic, constructive, bipartisan engagements with Congress and regulators to improve awareness and knowledge of the upstream oil and gas sector and ensure that the sector's voice is heard on relevant policy issues

Targeted Awareness and Education

Highlight the US oil and natural gas industry's profound contributions to the economy, global security, commitment to sustainable operations and addressing related challenges, in support of advancing sound public policy

Objectives

- Continuously educate policymakers on the economic and societal contributions of the oil and gas industry and its commitment to safety and protecting the environment
- Establish AXPC as a go-to media resource for highly credible data and expert spokespersons on identified priority issues impacting the upstream energy sector
- Equip AXPC members with tools, data, and messaging to educate and gain grassroots support from their workforce, local representatives, and the communities they serve
- Partner with organizations that benefit from domestic oil and natural gas development, to grow

Outcomes

- Pertinent data and information shared with federal policymakers and stakeholders through meaningful interactions
- Rapid media outreach/response on critical issues and federal policy developments that impact the industry
- Measurable growth in awareness and sentiment among targeted audiences on key issues
- Deployment of AXPC-provided materials and messages by member companies
- Strategic growth of established partnerships with identified organizations to increase awareness

Organizational Excellence

Enhance AXPC's business model to ensure adequate human, financial, and technological resources in an era of rapid change and increasing competition

Objectives

- Explore principle-based scenarios and solutions that will ensure the sustainability of AXPC's business and membership models amid industry consolidation and increasing member expectations
- Define, achieve, and maintain indicators for long-term organizational health and business continuity
- Review the role of AXPC committees and align the structure with current industry issues and policy priorities

Outcomes

- Potential evolution of membership structure/dues to reduce uncertainty and support long-term mission continuity
- Development of a long-term talent strategy to ensure that AXPC can deliver on strategic priorities
- Strengthening of the operating budget and reserves
- Technology leveraged to optimize staff and volunteer efficiencies and effectiveness

Member Value

Continue to provide an essential forum for independent US energy producers to connect, share expertise and learnings, and pursue continuous improvement

Objectives

- Enhance member opportunities to network, share best practices, and advance industry thought leadership
- Continuous improvement of benchmarking and shared learning opportunities for members on EHS performance, disclosure strategies, and corporate governance
- Continue to track and summarize policy changes and related updates for members to support risk management and business strategies
- Sustain and improve internal member communications related to: industry news, political trends, and AXPC policy discussions

Outcomes

- Increase in learning and networking opportunities, with higher member engagement and participation
- Continued member satisfaction with the value of industry benchmarks and policy updates and related guidance provided by AXPC
- Sustained overall member satisfaction with AXPC, with established process for feedback and response

Resourcing AXPC's Strategic Plan

Based on our strategic plan, the AXPC team identified the following strategic objectives as most in need of additional resources:

Grow grassroots support for our issues	Proactively influence federal legislation
Enhance and grow strong bipartisan relationships	Drive effective regulatory policy
Continuously education policymakers	Enhanced benchmarking and shared learning opportunities
Partner with other organizations to expand reach and influence	Establish AXPC as go-to media resource

Resourcing the Plan

Scenario Overview

Status Quo

Maintain or small adjustments to current level of resourcing over the next three years

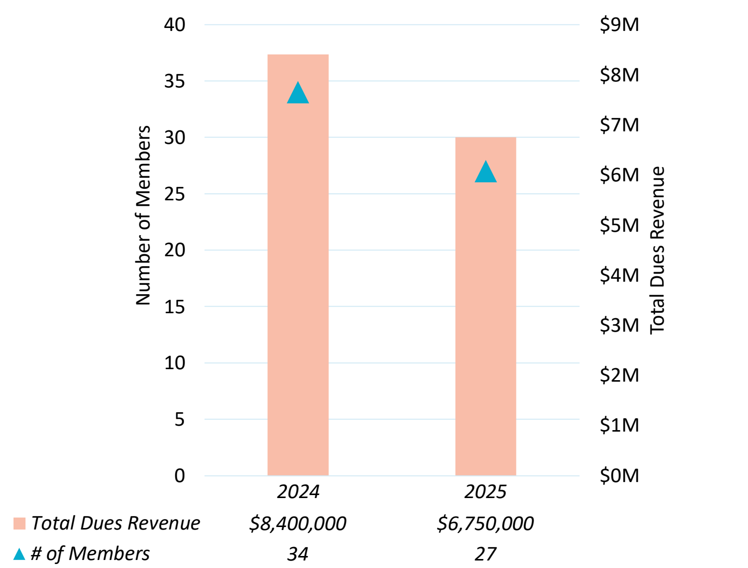
Enhanced

Moderate to significant investments or added resourcing to reimagine/ enhance existing programs over the next three years

Transformative

Significant new investments or levels of resourcing to innovate existing programs or develop new programs over the next three years

Impact of Consolidation on AXPC Revenues



Note: If dues were held steady at $250,000, AXPC would lose $1.65m in revenue from 2024-2025.

Status Quo Scenario

Maintains existing activities at current levels

- Adds 1 FTE for GA to support relationship building, engagement, and advocacy materials
- Moderate increased costs of travel, conferences, etc.
- Holds steady advocacy fund (used for issue campaigns and research)
- Incorporates most of the regulatory supplemental into regulatory budget
- Excludes any funding for political expenditures or grassroots expansion

Note: Would present challenges to continue some of the work that is being asked of us- such as additional survey instruments, regulatory litigation, expanded focus on power / grid reliability and natural gas issues

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Enhanced Scenario

Funding to continue and moderately expand targeted strategic priorities

- Expanded and enhanced bipartisan relationship building
- In-house data and policy analysis to allow deeper, more proactive focus on priority issues or emerging issues.
- Enhanced funding for issue campaigns (e.g. tax, regulatory, or exports focused)
- Additional funding for regulator-focused consultant support
- Greater coalition engagement among third parties to expand reach on current and emerging issues (such as for international engagements; grid reliability and or tax issues)
- Additional content development for energy education for emerging issues and data
- Provides continued funding (annualized) for political initiative
- Small monthly retainer for legal support for limited AXPC legal efforts (e.g. regulatory litigation)
- Limited funded research
- Additional funding to support PAC visibility, participation, and engagement across member companies

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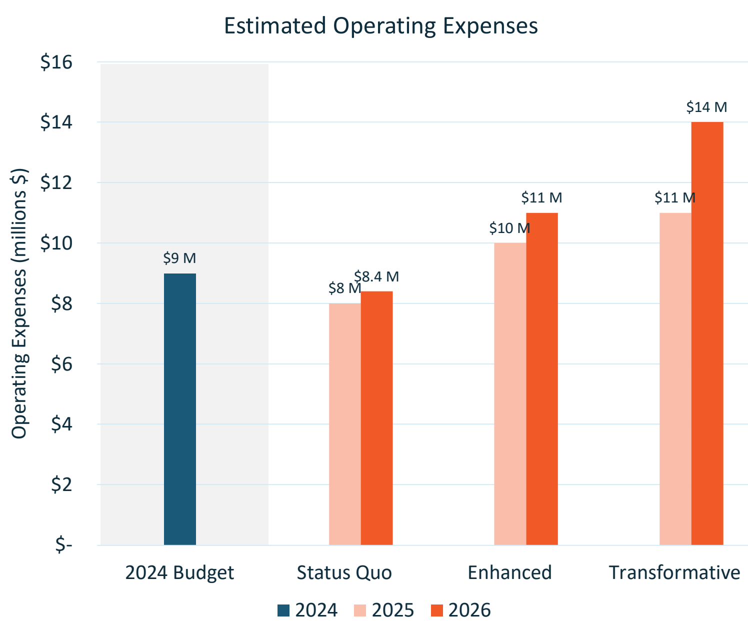
Transformative Scenario

Builds on enhanced scenario to add additional capacity around strategic priorities

- In-house support for enhanced policy advocacy and development and data analysis
- Additional in-house comms capability to support greater digital engagement, AXPC executives' external engagements, collateral, and content creation
- Additional funded research (economic impact study, more complex modeling)
- Greater coalition building including leading coalitions (e.g., consumer focused groups)
- Expanded, specialized lobbyist support to focus on targeted issues, policy development, and new relationship outreach
- Additional agency-specific consultants (e.g., FERC; international)
- State level trade coordination efforts on reg policy
- Litigation fund for AXPC led regulatory litigation

Overview of Scenarios



Scenario Recommendation

ENHANCED

Dues Model Options

- Flat fee
- Tiered
- Other options for consideration:
  - Merger and Acquisition Protocol
  - Statement of Principles

Proposed M&A Dues Protocol

Proposed new protocol: *Companies that acquire another AXPC company would pay a declining percentage of dues for their acquisitions over a two-year period. The merger fee would be calculated as a percentage of the acquired member company's dues payment during the year the consolidation is publicly announced. The merger fee is paid over the course of two years at a declining rate (75%, 50%). There could also be an option that allows for the merger fee to be paid upfront.*

	Year 1	Year 2
Percentage of Dues Assessed	75%	50%
Amount Due per Acquired Company	$150,000	$100,000
Total from 5 companies	**$750,000**	**$500,000**

The example above assumes 5 current member companies which have or are acquiring AXPC members in 2024 for 2025-2027

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Overview of Proposed Dues Models

Model 1: Flat Fee

In the flat fee model, all member companies would continue to pay the same dues

Pros:

- Majority of members prefer flat fee approach; continues current known model
- Easiest to calculate
- Maintains equality

Cons:

- Smaller companies pay "more per barrel" than larger
- Limits AXPC growth and recruitment based on ability of smaller companies to afford dues
- Potential to lose smaller companies as dues increase (further increasing dues on all members)
- Impact of M and A exacerbated

Model 2: Tiered Dues

In the tiered model, member companies are sorted into three variable dues tiers based on production

Pros:

- Easy to calculate
- Helps mitigate M and A activity
- Provides greater levels of equity

Cons:

- Can create perceived sense of inequality
- Organic dues growth only occurs when company reaches next tier

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Dues Model 1: Flat Fee All Scenarios

	Status Quo		Enhanced		Transformative	
Year	2025	2026	2025	2026	2025	2026
Member Companies	27	27	27	27	27	27
Revenue Target	$8M	$8.4 M	$10 M	$11 M	$11 M	$14 M
Member Dues (with M&A Dues Protocol)	$270,000	$300,000	$350,000	$390,000	$380,000	$500,000
Member Dues (w/o M&A Dues Protocol)	$300,000	$320,000	$380,000	$410,000	$410,000	$520,000

Note: "with M&A dues Protocol" reflects additional revenue/dues payments from acquiring companies

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Projected Flat Fees for 2025

Flat fee dues projections based on # of member companies under each scenario

# of Companies	Status Quo	Enhanced	Transformative
20	$405,000	$525,000	$700,000
21	$385,000	$500,000	$670,000
22	$370,000	$480,000	$635,000
23	$350,000	$455,000	$610,000
24	$340,000	$440,000	$583,000
25	$325,000	$420,000	$560,000
26	$310,000	$405,000	$540,000
27	$300,000	$390,000	$520,000
28	$290,000	$375,000	$500,000
29	$280,000	$360,000	$480,000
30	$270,000	$350,000	$465,000

Note: Numbers are rounded to the nearest 5,000 based on $10.5 budget; does not include M & A Protocol

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Dues Model 2: Tiered Dues for Enhanced Scenario

Production Tiers (MBOE)	Members	2025		2026	
		Member Dues	Dues Revenue	Member Dues	Dues Revenue
Less than 100K	11	$275,000	$3,025,000	$325,000	$3,575,000
100K to 300K	10	$375,000	$3,750,000	$410,000	$4,100,000
Above 300K	6	$450,000	$2,700,000	$500,000	$3,000,000
Revenue from Standard Dues			$9,475,00		$10,675,000
Additional Revenue from M&A Dues			$750,000		$500,000
Total Revenue			$10,225,000		$11,175,000

Dues Comparison with M&A Protocol

Enhanced Scenario					
Production Tiers (MBOE)	Members	Flat Fee		Tiered	
		2025	2026	2025	2026
Less than 100K	11	$350,000 - $380,000	$390,000 - $410,000	$275,000	$325,000
100K to 300K	10			$375,000	$410,000
Above 300K	6			$450,000	$500,000
Total Revenue		$10,000,000	$11,000,000	$10,225,000	$11,175,000

Statement of Principles/ Bylaws Amendments

Consider updated principles or bylaws to enshrine "one member one vote" principle at AXPC.

Statement of principles in bylaws	Ensure representation on Executive Committee
Ensure representation among committee leadership roles	Restrict magnitude of dues differentials between tiers

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Draft Recommendations for the Board

AXPC's Scenario + Dues 2025

Resource Toward Enhanced Scenario	Retain Flat Fee Model	Create On-ramp for New Members	Adopt Suggested M&A Protocol
▪ Funding to continue and moderately expand targeted strategic priorities	▪ Expected 2025 dues $350-$380k ▪ Majority of members prefer flat fee approach; continues current known model ▪ Easiest to calculate ▪ Maintains equality	▪ Year 1: 50% ▪ Year 2: 100%	▪ Allows AXPC to conduct longer-term organizational planning

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Planning for 2025

2025 Scenarios Start at the Top of the Party Ticket

Personalities and policies drive the discussion today and policy outcomes next year

	Harris Agenda*	Trump Agenda
Regulation	• Continue regulatory initiatives over fossil fuels, "big tech," and financial markets	• Reinstate deregulation policies • Implement "transparency and common sense" in rulemaking
Energy	• Increase investment in clean energy • Hold oil and gas executives accountable for potential collusion or price gouging • Continue implementation of "Environmental Justice for All" E. O.	• "Make American the Dominant Energy Producers in the World, By Far!" • Lift production and export restrictions • Repeal IRA
Tax	• Increase corporate tax rate to 28% • Raise taxes on fossil fuel industry (e.g., eliminate or reduce value of cost-recovery provisions) • Raise individual taxes for incomes above $400,000	• Lower corporate tax rate • Tax large private university endowments • Make 2017 TCJA individual tax cuts permanent • Exempt tips from income taxes
Tariffs	• Maintain Chinese tariffs on all goods ($360B) and raise Chinese tariffs on steel, aluminum, and green energy goods ($18B)	• Impose 10% universal baseline tariff on all imports • Impose 60% tariff on imports from China • Consider replacing personal income taxes with increased tariffs
Immigration	• Secure border • Expand legal immigration • Reform asylum system	• Complete border wall • Deport illegal aliens

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Scenario Planning Across Potential Election Outcomes

	SCENARIO 1 **Unified Democrat**	SCENARIO 2 **Divided**	SCENARIO 3 **Divided**	SCENARIO 4 **Unified Republican**
Opportunities	• Solutions differentiate • Engagement matters	• Policy moderates • Govt oversight • Messaging maintains	• Regulation resets • Policy moderates • Messaging pivots	• Reconciliation moves • Regulation resets • Messaging pivots
Risks	• Reconciliation moves • Regulation compounds • Activism elevates	• Regulation moves • Legislation stalls	• Legislation stalls • Industry oversight	• Globalism retreats • Populism rises • Moderation dissolves

Industry-led Litigation ← → NGO-led Litigation

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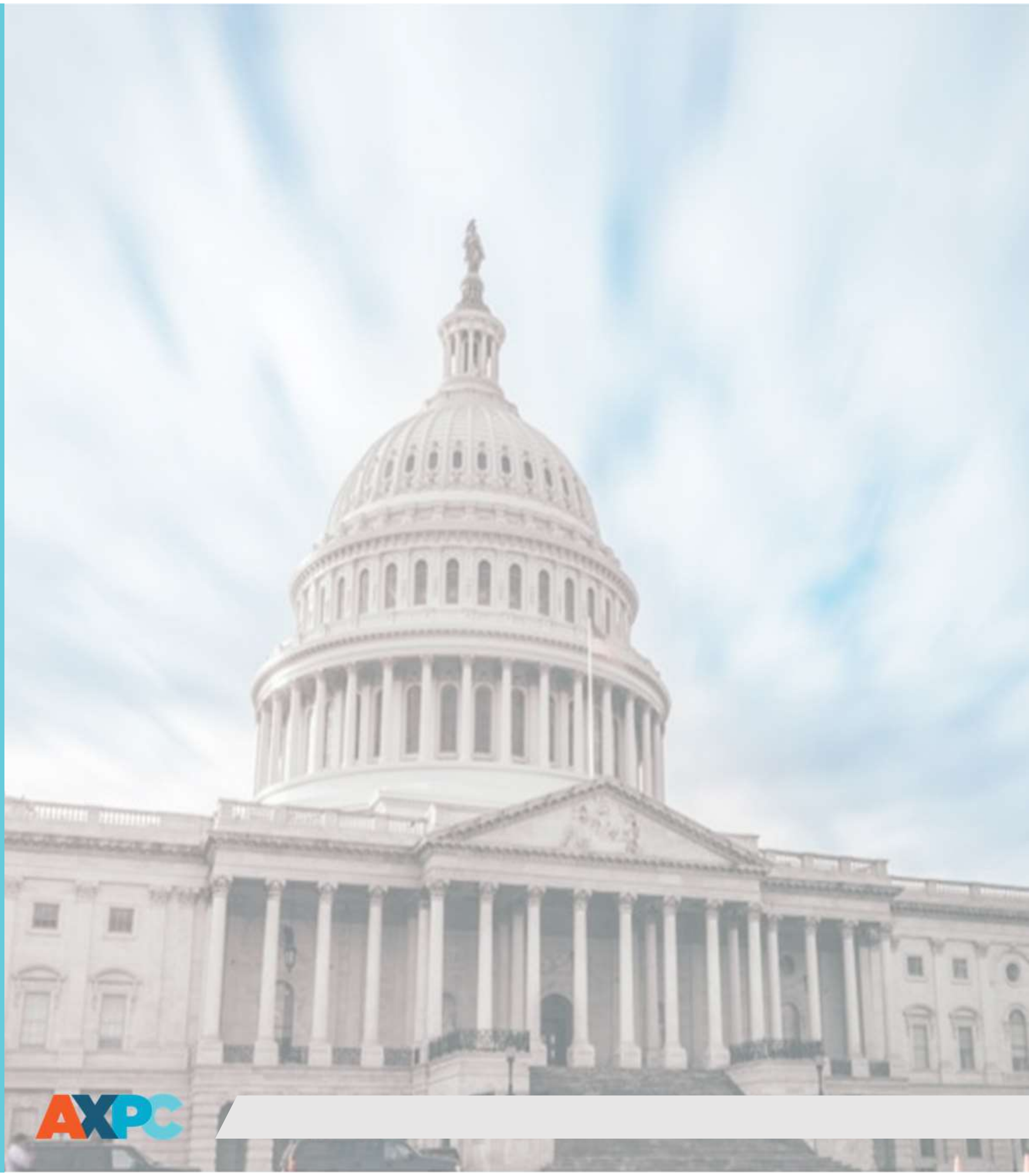
Tax and Trade



Tax and Trade Control the Policy and Political Agenda in 2025

What's happening?

- Key provisions of 2017 TCJA are expiring
- $4 trillion in expiring taxes
- Neither party wants to increase individual taxes across the board ($400,000 rule)
- Reform opportunities, policy priorities, and negotiating positions will be wide-ranging
- Tariffs and anti-trade policies loom in Republican Admin

What does it mean?

- Tax legislation will move but parameters are unknown
- Reconciliation is the vehicle if under unified Republican or Democrat scenario
- Trillions in revenue raisers will be needed regardless
- Cost provisions will face higher level of difficulty; wide range of pay-fors on the table
- Each party in each chamber is planning for 2025

WSJ *The 2025 'Tax Armageddon'*

AXIOS Next year's battle royale over tax policy will shape America's fiscal future

Trump's economic plans include proposed tariffs, tax cuts and no taxes on tips. Details are scarce

Businessweek | The Big Take **Trump on Taxes, Tariffs, Jerome Powell and More**

What are we doing?

- Protect IDCs
- Fix current tax treatment under CAMT
- Defend current corporate taxes
- Build supporters and defenses against tariffs increase

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"Tax Armageddon"

TCJA Expiring → ~ $4.7 Trillion

Debt Limit ← ~ $31 Trillion

"Everything is on the Table"

Potential Republican Focus	Potential Democrat Focus
• Make permanent lower individual tax rates and expanded standard deductions • Extend increased estate tax exemption • Extend corporate tax provisions • Repeal or modify IRA's clean energy tax credits • Remove tax-exempt status for universities	• Extend enhanced Child Tax Credit • Protect IRA's clean energy tax incentives • Extend some individual tax rates but raise those above $400,000 • Increase corporate tax rate

***The Question*: How to pay for it all?**

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01
Protect IDCs
Proactive engagement to preserve IDCs

02
Fix CAMT
Leverage 2024 foundational support to drive 2025 legislative fix

03
Defend Status Quo
Work with coalitions and strategic partners to protect corporate taxes

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Fixing the Current Tax Treatment of IDCs is a Consensus Priority

Problem
IRA reinstated CAMT with disproportionate impact for producers
- Most companies: accelerated cost-recovery deductions of capital expenditures
- Producers: depletion deductions over asset life

New § 56A of tax code created tax treatment by not incorporating reference to IDCs

Solution
Option 1: Revise § 56A to allow for immediate cost-recovery deductions for IDCs
- H.R. 5073: Introduced by Reps. Carey (R-OH) and Gonzalez (D-TX) with 37 co-sponsors
- S. 3381: Introduced by Sen. Lankford (R-OK) with 5 co-sponsors

Option 2: Repeal CAMT

Pros / Cons
IDC Fix
- Bills introduced and socialized with bipartisan support
- Lower score on revenue impact but isolates industry

CAMT Repeal
- Favored by members but coalitions remain unclear
- Higher score on revenue impact but broader base

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2025 Planning

IDCs

	SCENARIO 1: UNIFIED D CONTROL	SCENARIO 2: HARRIS WH DIVIDED CONGRESS	SCENARIO 3: TRUMP WH DIVIDED CONGRESS	SCENARIO 4: UNIFIED R CONTROL
AXPC Actions	▪ Preserve IDCs ▪ Focus on Senate backstop ▪ Expand support among House moderate Democrats ▪ Move neutrals ▪ Assess opportunities for targeted fix	▪ Introduce legislative solution ▪ Continue direct engagement with leadership and allies ▪ Engage with JCT to inform cost model ▪ Re-engage Treasury staff ▪ Expand support among moderate Democrats ▪ Work fix into tax package	▪ Introduce legislative solution ▪ Continue direct engagement with leadership and allies ▪ Engage with JCT to inform cost model ▪ Expand support among moderate Democrats ▪ Work fix into tax package	▪ Elevate with leadership and committee chairs ▪ Identify legislative champions ▪ Continue support among moderate Democrats ▪ Support parliamentarian engagement ▪ Move fix through reconciliation
Risks & Wildcards	Eliminate IDCs Increase corporate taxes	Legislative inertia	Roadblocks in D House	Populist pushback

What we are doing now:

- Direct engagement
- Indirect through third-parties
- Member-company expertise
- Communications coverage
- Strategic partnerships
- Third-party research

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Emissions and Methane

Update: Methane Tax

Fast Facts

- The Inflation Reduction Act established the "Waste Emissions Charge" (WEC)
- In the IRA, Congress established methane intensity thresholds – any emissions over that threshold are subject to a fee
- EPA proposed its implementing language for the WEC in January
- We expect a Final Rule by the **end of the year**

The Good News

- Methane intensity calculation could have been worse
- Netting provisions seem functional, but perhaps not at the desired parent-company level

The Bad News

- Disproportionately penalizes oil-heavy operators
- Compliance exemption is effectively non-existent
- Implications of Subpart W revisions including limits on use of empirical data for some sources

AXPC

Update: Methane Tax

AXPC/EPA meeting
with rule writing staff 2/2024

Comment Letter
and company templates filed and provided 2/2024

AXPC/EPA meeting
in person follow-up with rule writing staff 6/14/2024

Final Rule Expected
by the end of 2024

What's next?

- Additional pressure on EPA politicals
- Follow up meetings with EPA staff

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2025 Planning

Methane Tax

What we are doing now:

- Advocating with R's for inclusion in reconciliation
- Continued Hill outreach on the policy shortfalls
- Continued agency advocacy on rules
- Recommendation to repeal in 2025 policy roadmap
- Anticipate filing litigation and/or petition for reconsideration of final rule

	SCENARIO 1: UNIFIED D CONTROL	SCENARIO 2: HARRIS WH DIVIDED CONGRESS	SCENARIO 3: TRUMP WH DIVIDED CONGRESS	SCENARIO 4: UNIFIED R CONTROL
AXPC Actions	*Agency Advocacy* *Legislative Action* *Litigation* *Repeal*	*Agency Advocacy* *Legislative Action* *Litigation* *Repeal*	*Agency Advocacy* *Legislative Action* *Litigation* *Repeal*	*Agency Advocacy* *Legislative Action* *Litigation* *Repeal*
Risks & Wildcards	Limited ability to influence Likely no improvement in final rule		Options depend upon margins in split Congress	Republican push for full repeal of IRA (e.g. grants)

AXPC

Update: Subpart W

Fast Facts

- First implemented in 2011, is now the basis for all US oil and gas GHG inventory estimations
- Congress directed EPA to update Subpart W by August 2024 to ensure the Methane Fee (WEC) is based on empirical data
- Final rule released on May 14, 2024
- Most changes effective for reporting year 2025 with the option to use some provisions of the rule for 2024 reporting

Improvements

- Pneumatics: better factors
- Opportunities for site-specific data are improved

But we have concerns…

- Flares: both destruction efficiency and monitoring requirements
- Pneumatic device measurement for the first year is painful with the WEC
- Measurement options aren't available for all sources with differing, sometimes over conservative, requirements for each

AXPC

Update: Subpart W

AXPC/EPA meeting

with rule writing staff 9/2023

Comment Letter

and company templates filed and provided 10/2023

AXPC/EPA meeting

in person follow-up with rule writing staff 2/2024

Filed for Reconsideration

jointly with API on 7/15/2024

Filed for Judicial Review

on 7/15/2024

What's next?

- Additional pressure on EPA politicals
- Follow up meetings with EPA staff

AXPC

Update: OOOO b/c

Fast Facts

Priority concerns relate to:

- Storage vessels (timelines and modification triggers)
- Control devices (monitoring/demo reqs. unworkable)
- Covers & closed vent systems (infeasible standard)
- Temporary equipment (not considered)

The Good News

The final rule had some guardrails around the Super Emitter Program (SEPP)

Reconsideration was granted for:

- Vent gas net heating value (NHV) monitoring and alternate sampling demonstration requirements for flares and enclosed combustion devices, and
- Temporary flaring provisions for associated gas in certain situations.

The Bad News

- Modification
- Storage vessels

AXPC

Update: OOOO b/c

Filed for Reconsideration
with API on April 5th 2024

Reconsideration granted
On May 6th 2024

Filed for Judicial Review
on May 7th 2024

Rule took effect
May 7th 2024

States must implement
for existing sources by 2027

What's next?

- Multiple challenges filed in the D.C. Circuit Court (Industry, States, eNGOs all in a consolidated case)
- Submit to the court proposed schedule – **Aug 8th**

AXPC

2025 Planning

OOOO b/c and Subpart W

What we are doing now:

- Continued agency advocacy on the reconsideration
- Continued litigation

Recommendations in 2025 policy roadmap:

- To revise the OOOOb/c rule consistent with our reconsideration requests
- To direct agencies to adhere closer to statutory authorities

	SCENARIO 1: HARRIS WHITE HOUSE	SCENARIO 2: TRUMP WHITE HOUSE
AXPC Actions	*Agency advocacy*; *Litigation*; *Legislative Action*; *Withdraw*	*Agency advocacy*; *Litigation*; *Legislative Action*; *Withdraw*
Risks & Wildcards	Harris Admin may be farther left on climate policy making it more difficult to get fixes Overturn of Chevron Deference	Admin/Repub. majority may want to be more aggressive against EPA We may be caught in the middle between R supporters and investors/stakeholders

Note:
The Methane Rule and Subpart W are primarily regulatory agency battles. For this reason, White House control matters more than Congressional because political appointees are the decision makers at EPA.

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Permit Reform

Update: Permit Reform

Permit Reform means many things to many people. Any significant legislation will face political, legal, and regulatory challenges.

AXPC Priorities

FERC Rules and Guidance | Federal Lands Permitting | Climate | **Judicial Reform** | **NEPA Rules and Guidance** | Clean Water Act State Certifications | Cost Allocation | Transmission Siting

REGULATORY | **POLITICAL** | **LEGAL**

Update: Permit Reform

AXPC engagement in efforts to develop bipartisan bills

Senate - Manchin / Barrasso Bill

- Transmission subsidies w/ conditions
- BLM leasing & permit improvements for both renewables and fossil fuels
- LNG shot clocks and study directives

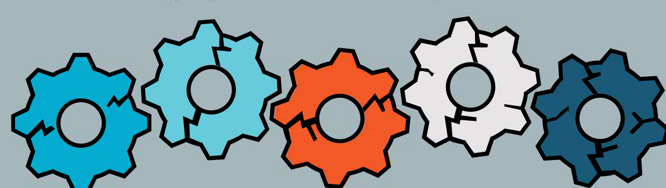
House - Bipartisan Bill TBD

- NEPA Reform includes Judicial Standard of Review AXPC Priority

Broad agreement that outdated regulations are delaying progress on national prioritizes

Delays, legal challenges, and constantly moving goal posts

Limits energy production and often environmental improvements



Subjective, inefficient, unpredictable permit processes

Limits the build out of critically needed infrastructure and supply chains

Increased costs and uncertainly limits investment, restricts job growth, increases inflation

2025 Planning

Permit Reform

What we are doing now:

- Bipartisan/bicameral advocacy on permit reform legislation and potential budget reconciliation
- Monitor ongoing litigation on CEQ NEPA rulemaking

Recommendations in 2025 policy roadmap:

- To revoke / revise CEQ NEPA rules
- To direct agencies to adhere closer to statutory authorities

	SCENARIO 1: UNIFIED D CONTROL	SCENARIO 2: HARRIS WH DIVIDED CONGRESS	SCENARIO 3: TRUMP WH DIVIDED CONGRESS	SCENARIO 4: UNIFIED R CONTROL
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Risks & Wildcards	Litigation is difficult for NEPA reforms Anti-fossil NGOs will be emboldened	Legislative reform possibilities will be reflective of which party controls what majority margins in Congress		Overly biased approaches could leave policies / projects more vulnerable to litigation

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AXPC Policy Roadmap

AXPC's 2025 Policy Roadmap

- Policy roadmap to promote the global competitiveness of US oil and natural gas and unleash its production
- Suite of potential policy actions for a 2025 Administration
- Consistent with existing AXPC policy positions and recommendations
- Lays out a comprehensive vision of an upstream policy agenda

Policy Themes

AXPC 2025 Policy Roadmap

AXPC 2025 Policy Roadmap
Recommended Actions

Examples

Executive Actions

Revoke or modify existing Executive Orders
- EO 14008 on "Tackling the Climate Crisis at Home and Abroad"
- EO 14030, on "Climate-Related Financial Risk"

Issue New Executive Orders
- "Promoting Energy Security, Affordability, and Reliability"
- "Promoting Natural Gas and LNG Exports"
- "Prioritizing Infrastructure and Energy Project Permitting"

Rulemaking

Revoke or modify existing rules
- EPA OOOOb / OOOOc (Modify)
- EPA Subpart W (Modify)
- SEC Climate Disclosure (Revoke)
- BLM Conservation & Landscape Health (Revoke)

Initiate New Rules
- Mandate Strict Statutory Interpretation
- Federal Permit by Rule Approaches

Agency Actions

Generate General Counsel & Solicitor's Opinions
- Incidental Take of Migratory Birds

Revoke / Revise Internal Memos and Agency Guidance
- CEQ NEPA GHG Guidance
- Social Cost of Carbon

Build a library of new scientific studies and analysis
- Geologic surveys and studies
- Energy reliability studies
- Studies to support NEPA analysis

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Operationalizing AXPC 2025 Outreach

Policy Roadmap
This Resource Document is to be shared with political campaigns (in summary or in full) and/or transition teams as deemed appropriate. It will be coupled with other 2025 focused deliverables.

AXPC Budget Reconciliation Recommendations
Legislative recommendations that have a fiscal impact and could be done through a budget reconciliation efforts. (Gov Affairs led effort)

2025 Agenda
(public communications doc) A high-graded version of these 2025 recommendations documents distilled to a finite number (5 or 6?) of high-level points that can be shared with broad hill audiences for messaging purposes, reporters, hill staff, etc. (Comms led effort)

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HSE Performance Survey

Production Insights

In 2023, AXPC Companies produced:

2.07 BILLION BARRELS of oil and condensate

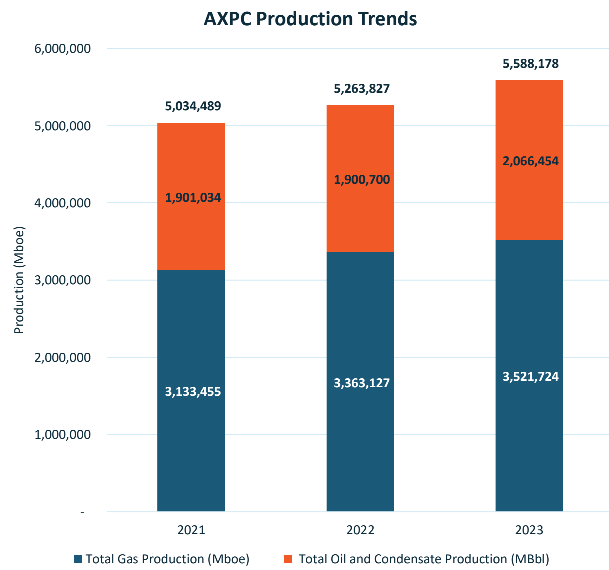
44% of all US oil production

21.73 TRILLION CUBIC FEET of natural gas

59% of all US gas production

Additional Insights

- Total production is **up by 6%** among AXPC member companies between 2021 and 2022
- AXPC companies produced **15% of the world's natural gas** in 2023



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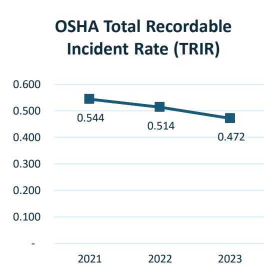
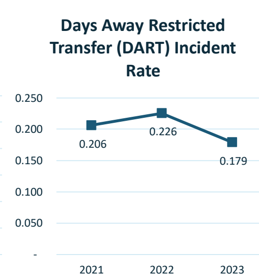
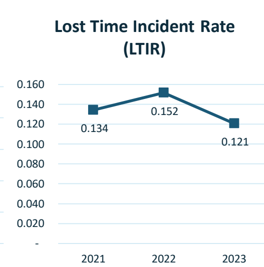
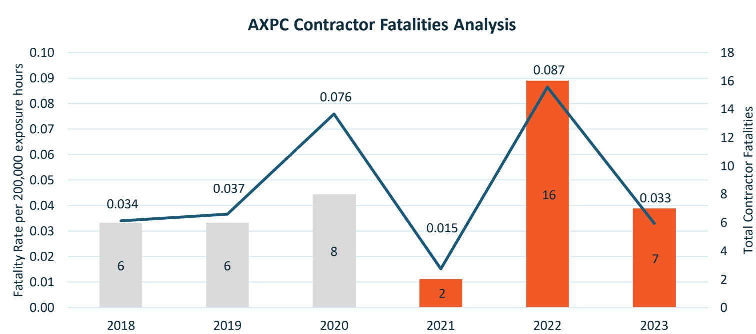
Safety









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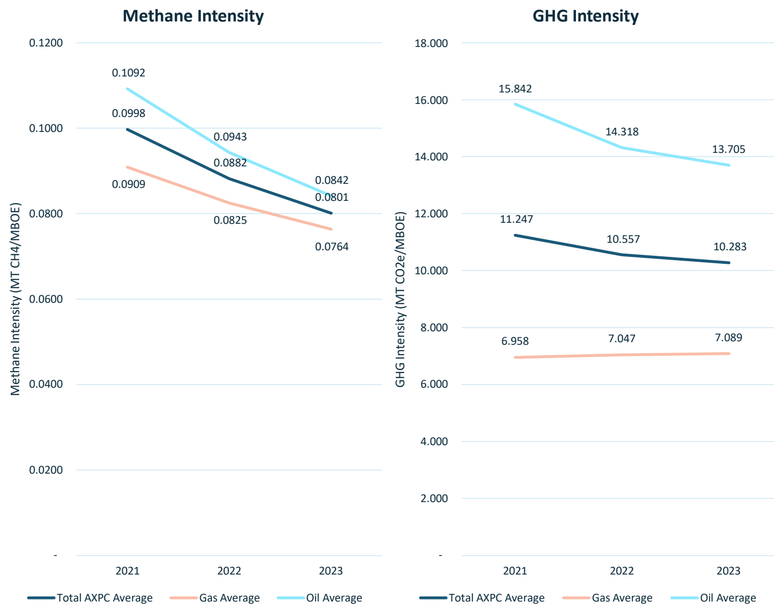
Emissions



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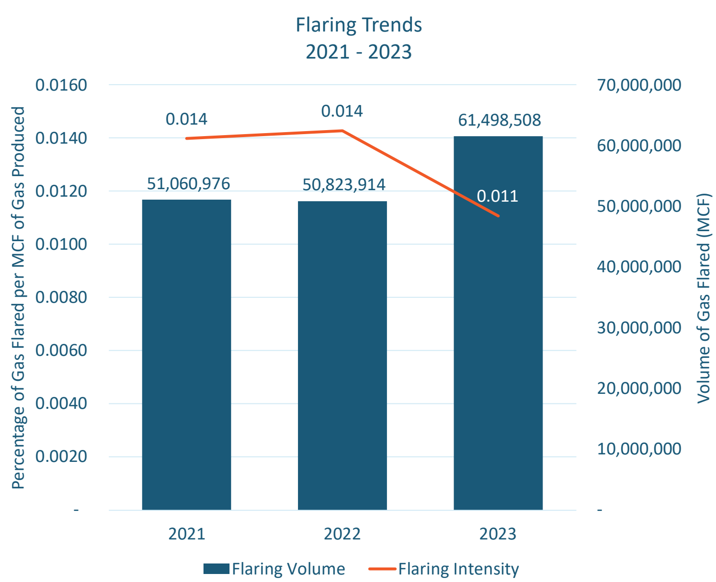
Flaring Trends



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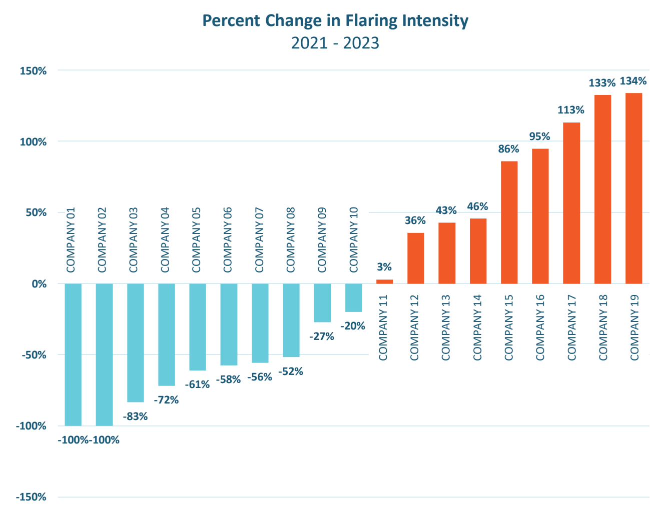
The Great Divide: Flaring

Since 2021, companies are either making huge strides to reduce flaring, or not.

There is very little in between.



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Gas/Electric Coordination for Grid Reliability

Political Update and Activities

Themes and Trends Heading into November

- "A handful of states and a few football stadiums of voters"
- Presidential, Senate, and House outcomes go through a few states
- Both Senate and House will look and feel very different in 2025
- Voter priorities on inflation, immigration, and "fitness for office"
- Contrast of platforms on energy policy

Senate Races Take Form but Spreads Are Fluid

Themes and trends

- Expanded opportunities for Republicans versus narrow margins for Democrats
- Handful of states with polling tightening or leaning Republican
- Top-of-ticket v. split-ticket dynamics

LIKELY D	LEAN D	TOSS UP	LEAN R
MD-OPEN	AZ-OPEN (I)	MI-OPEN	
	PA-Casey Jr.	MT-Tester	
	WI-Baldwin	NV-Rosen	
		OH-Brown	

Source: Cook Political Report

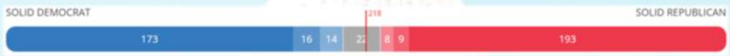
State	Republican	Democrat	2020 P Margin
MT	Sheehy (50%)	Tester (45%)	Trump 16%
OH	Moreno (44%)	Brown (50%)	Trump 8%
PA	McCormick (42%)	Casey (47%)	Biden 1%
NV	Brown (40%)	Rosen (45%)	Biden 2%
MI	Rogers (41%)	Slotkin (46%)	Biden 3%
WI	Hovde (43%)	Baldwin (49%)	Biden <1%
AZ	Lake (42%)	Gallego (46%)	Biden <1%
NM	Domenici (42%)	Heinrich (46%)	Biden 11%

Source: 538 – reflective of most recent state-wide poll of likely voters or registered voters

House Races Tighten and Control Remains a Coin Flip

Themes and trends

- Defined by open seats vis-à-vis retirements
- Increasingly limited competitive states
- Diminished impact of redistricting



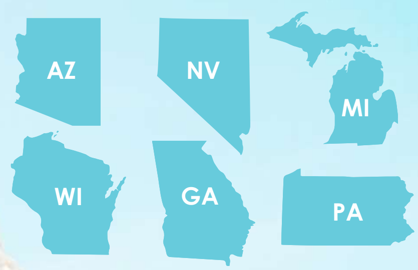
LEAN DEMOCRATIC 13 Dem • 1 Rep	DEMOCRATIC TOSS UP 11 Dem • 0 Rep	REPUBLICAN TOSS UP 0 Dem • 11 Rep	LEAN REPUBLICAN 0 Dem • 8 Rep
AK-AL Peltola	CO-08 Caraveo	AZ-01 Schweikert	CA-45 Steel
CA-47 OPEN (Porter)	ME-02 Golden	AZ-06 Ciscomani	CO-03 OPEN (Boebert)
CT-05 Hayes	MI-07 OPEN (Slotkin)	CA-13 Duarte	IA-03 Nunn
IL-17 Sorensen	MI-08 OPEN (Kildee)	CA-22 Valadao	MI-10 James
IN-01 Mrvan	NC-01 Davis	CA-27 Garcia	NE-02 Bacon
MN-02 Craig	NM-02 Vasquez	CA-41 Calvert	PA-10 Perry
NV-03 Lee	OH-09 Kaptur	NJ-07 Kean Jr.	VA-02 Kiggans
NY-18 Ryan	OH-13 Sykes	NY-04 D'Esposito	WI-03 Van Orden
NY-22 Williams	PA-07 Wild	NY-17 Lawler	
OR-06 Salinas	PA-08 Cartwright	NY-19 Molinaro	
PA-17 Deluzio	WA-03 Perez	OR-05 Chavez-DeRemer	
TX-28 Cuellar			
TX-34 Gonzalez			
VA-07 OPEN (Spanberger)			

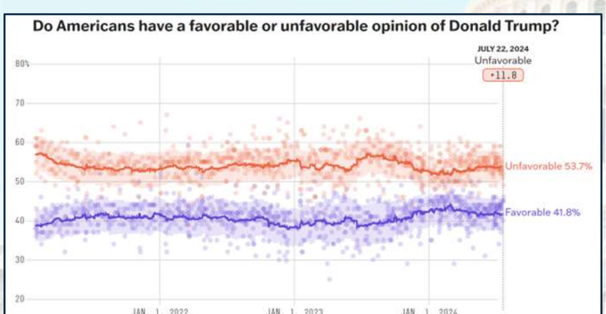
Source: Cook Political Report

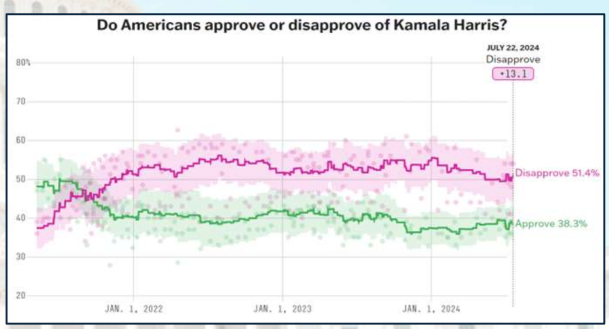
Unprecedented Presidential Riddled with Unpredictability

More questions than answers

- What are the ramifications of President Biden's exit?
- Is it too late for Democrats to rebound?
- Can Republicans define the candidate before November?
- Does Harris's VP nomination matter?
- Is the "blue wall" still in play?
- Voter demographics had shifted – will they recalibrate?







AXPC Independent Expenditures

Complete

	TX-23	UTSEN
Total	$67,425.00	$35,000.00

In Progress

	GOTV
Total	$325,000.00

Upcoming

	MTSEN	PASEN	OHSEN	Flex Resources
Timing	Late August	Mid-Sept	Late Sept/Early Oct	October
Total	$200,000.00	$150,000.00	$244,500.00	$300,000.00

Total Budgeted	$1,321,925.00
Total Spent	$102,425.00

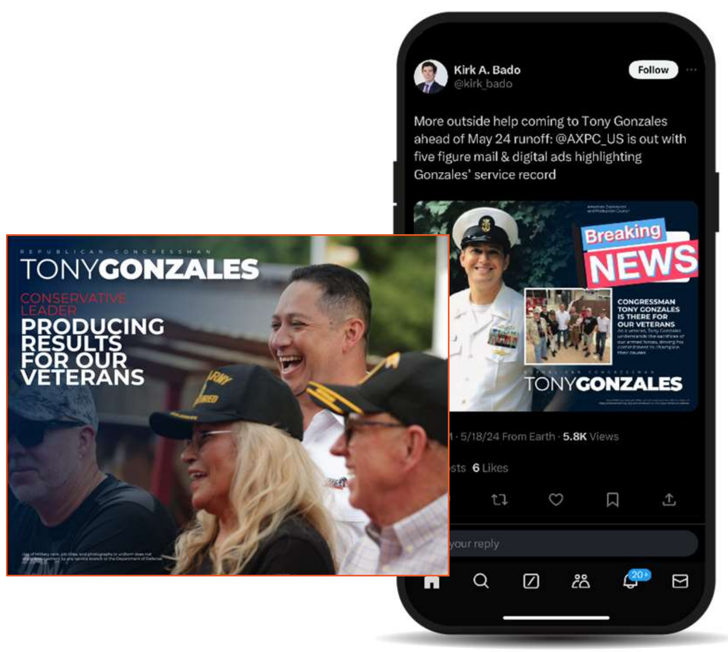
AXPC

Recent AD Campaigns

Rep. Tony Gonzales' (TX-23) runoff (354 votes)

Political Impact Drove Strategy

- Amplified closing message of Gonzales campaign
- Polling
- National Journal reporter



AXPC

Recent AD Campaigns

Rep. John Curtis' (UT-3) Senate Primary

Political Impact Drove Strategy

- Reinforce his record
- Keep lead strong
- Washington Examiner reporter

AXPC

Data-Driven Messaging Informs Creative

Moreno & McCormick Underperforming Generic Ballot. These 4 messages can help pull them up.

I will work to increase our domestic energy production, so America will become **more energy independent**, and rely less on foreign nations like Russia, Iran, and Venezuela.

To **bring down energy costs for Americans**, I will work to boost domestic production of natural resources.

Producing more natural gas in this area will increase jobs needed to build the plants, manage them, and distribute the gas throughout the country. Protecting natural gas production here will **protect our workers**.

This part of the state is often ignored by politicians. I will fight for what's **best for our working families**, and make sure the natural gas and oil industry and the jobs it creates continue to thrive here.

AXPC

ENERGY STATES VOTER DEADLINES

State	Early Voting Starts	Early Voting Ends	Absentee Request Deadline
MT	10/6	11/4	11/4
NM	10/8	11/3	10/31
OH	10/7	11/4	10/25
OK	10/30	11/3	10/26
PA	9/16	10/29	10/29
TX	10/21	11/1	10/25

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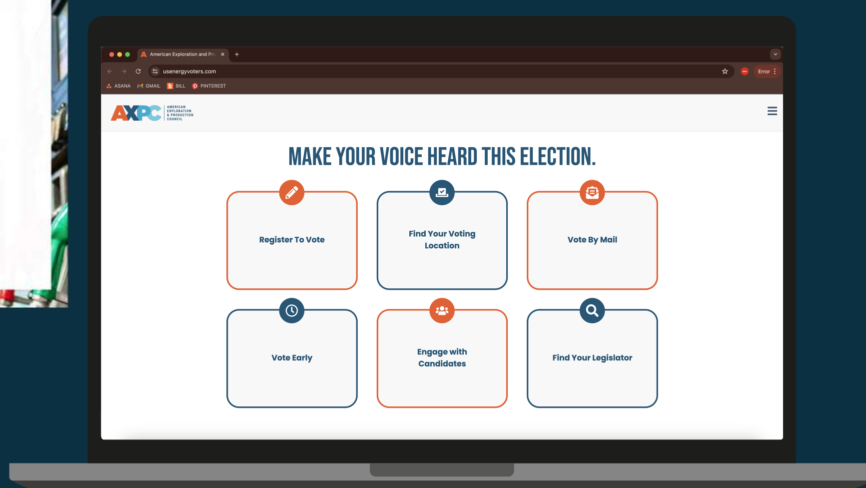
Political Voter Registration & Turnout Pages



AXPC

Grassroots Energy Advocates Growth

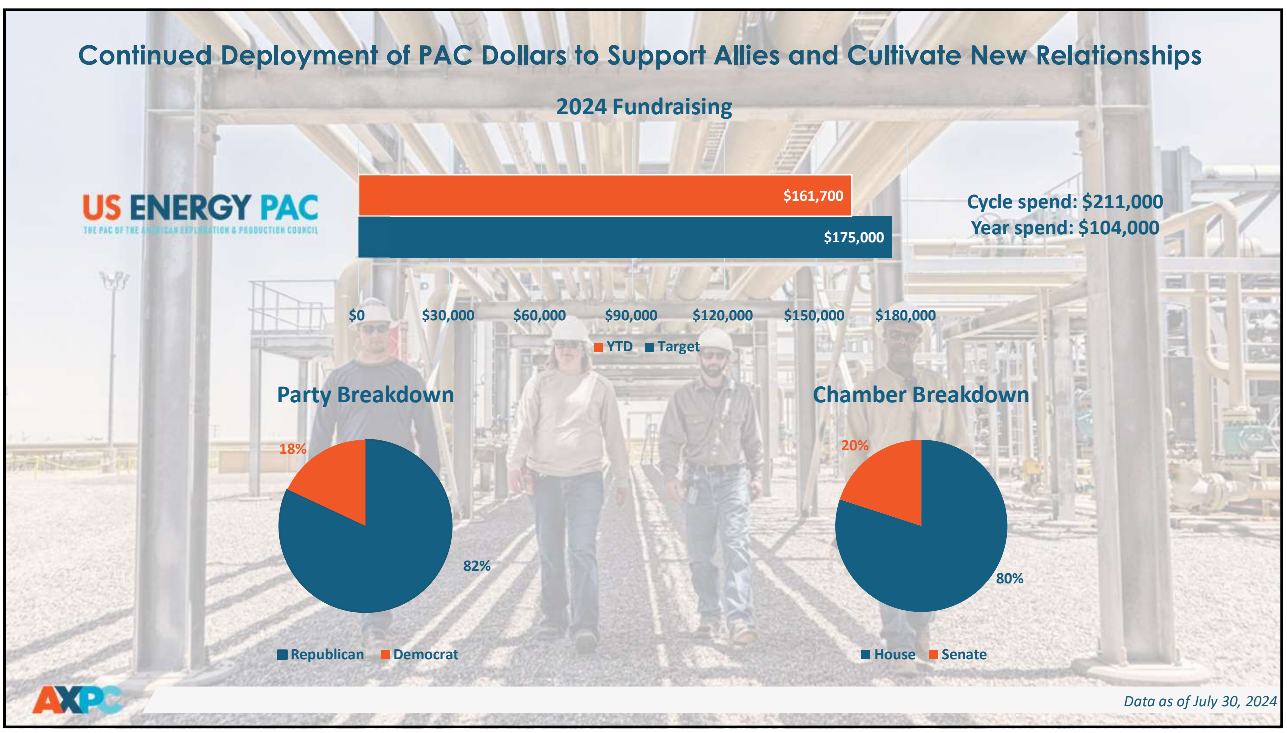
8,558
ADVOCATES
As of 9/5/23

>

42,924
ADVOCATES
As of 7/25/24

402%
GROWTH
in ~10 months

AXPC



Sprint Strategy to Maximize Impact for the Remainder of the Cycle

01 **Hosted Events:** AXPC-hosted events with member companies (September)

02 **"Meet Them Where They Are":** Small-group events in district (August / October)

03 **DC One-on-Ones:** Coffees and lunches while candidates are in DC (September)

04 **Widely-Attended:** PAC attendance for large and small political events (Remainder of the year)

AXPC

Calendar of Hosted Events

Date	Campaign	Location
8-Aug	Rep. Vicente Gonzalez (D-TX)	TX
17-Sep	Rep. Sylvia Garcia (D-TX)	DC
18/19-Sep	Candidate Yvette Herrell (R-NM-2)	DC
20-Sep	Rep. August Pfluger (R-TX)	DC
23-Sep	Rep. Mary Peltola (D-AK)	DC
24-Sep	Rep. Mark Veasey (D-TX)	DC
24-Sep	Rep. Mike Carey (R-OH)	DC
25-Sep	Rep. Dan Crenshaw (R-TX)	DC
26-Sep	Rep. Wesley Hunt (R-TX)	DC
[w/o 9.16 or 9.23	Rep. Lizzie Fletcher (D-TX)	DC]

AXPC

Opportunities to Enhance Member-Company Engagement

01 Awareness and education campaigns

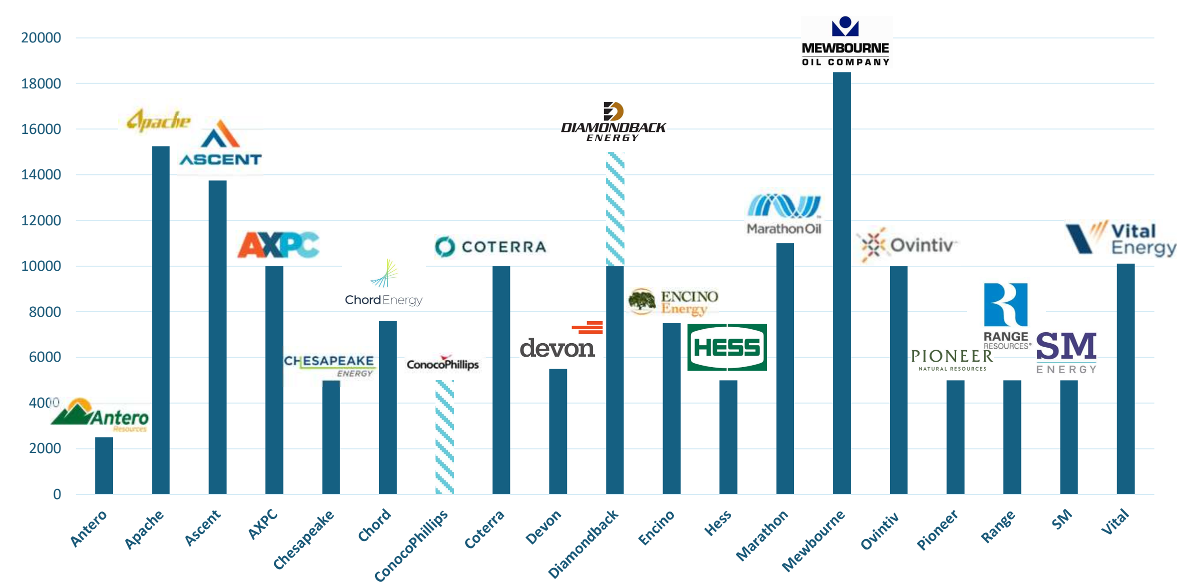
02 Targeted communications and updates

03 Donor interaction and connectivity

04 Candidate and disbursement insights

05 Political landscapes and outcomes

Thank You to Our Contributors!



Data as of July 30, 2024

Appendix

Regulatory Affairs Update
August 2024

Regulatory Landscape

For the remainder of the Biden Administration, we expect federal agencies will spend these next and final months working to implement the volume of rules it has raced to finalize in the past six months. These include EPA's methane rules known as OOOOb/c, EPA's Subpart W revisions, BLM's Waste Minimization Rule, BLM's Conservation and Landscape Health Rule, CEQ's NEPA rules and guidance, among many others. With President Biden announcing that he will not seek re-election, the Harris campaign for the White House begins in earnest and likely to roll out its environmental and energy policies as similar to, possibly more aggressive than, the Biden Administration's. A possible counter pressure however, or perhaps more of a wild card, are the recent Supreme Court decisions on major administrative law cases that set new legal precedents for the extent of agency authority in rulemakings as well as altering dynamics for challenging agency actions.

Issue Updates

Methane and Emissions

NSPS OOOOb / EG OOOOc (EPA Methane Rules)
The final rule, officially published March 7, 2023, updates the New Source Performance Standards (NSPS) regulations and Emission Guidelines to control emitted methane and volatile organic compounds (VOCs) from new and existing oil and natural gas facilities. Overall, the rule establishes significant new requirements for emission control devices and flares, including restrictions around routine flaring, comprehensive monitoring for methane leaks from well sites and compressor stations and a robust structure around alternative monitoring technologies. Additionally, the rule creates a novel program to empower EPA-certified third-party observers using *only* remote-sensing technologies to find large sources of emissions known as "super emitters."

The rule became effective on May 7th with requirements for new, modified or reconstructed facilities as of December 6, 2022, taking effect immediately or shortly thereafter (i.e. NSPS OOOOb). Requirements for existing facilities (EG OOOOc) are to be implemented by states through their programs, subject to EPA's review and approval. Under EG OOOOc, states are required to develop and have EPA approve "plans" to regulate all existing oil and gas sources within 24 months of the effective date of the rule. The state-specific plan compliance dates for facilities cannot exceed 36 months after the plans are due to EPA (i.e., approximately 5 years total from the EG's effective date). There is no "applicability date" for EG OOOOc because as emissions guidelines, EG OOOOc does not directly regulate affected sources but provides presumptive requirements for states for use in developing their plans. Applicability dates will be based on state-specific plans. EPA's action on each State plan submission will be carried out via rulemaking, which includes public notice and comment. Note, however, under the new rule, triggers that would change a facility from being considered existing to "modified" (and thus subject to new source requirements already in effect) are very sensitive potentially accelerating the risk that existing facilities would be subject to OOOOb requirements earlier than the timeframe provided for OOOOc.

In the time period between its publication as final and the rule taking effect, a number of petitions for administrative reconsideration were filed with the agency, and a greater number of challenges were filed with the courts for judicial review of the rule. AXPC worked closely with API to file both a joint petition for reconsideration as well as filing our own, separate but coordinated, petition challenging the rule in D.C. Circuit Court. Additional challenges included other industry trades, such as GPA, an independent producer's coalition led by IPAA, and INGAA among others. Additionally, several states filed challenges on the rule because it undermines state programs, restricts states' rights under the Clean Air Act, and burdens state agencies with the obligation to conduct lengthy analysis. NGOs were also active in the various filings, with groups such as the Air Alliance of Houston filing challenges that the rule did not go far enough, and EDF who filed to intervene on EPA's behalf and help them defend the final rule. As is customary the court consolidated the cases which are now in the process of negotiating to establish the briefing schedule and associated timeline for related court filings.

In the interim, EPA granted API/AXPC reconsideration on two of the petitioned issues: (1) vent gas net heating value (NHV) monitoring and alternate sampling demonstration requirements for flares and enclosed combustion devices, and (2) temporary flaring provisions for associated gas in certain situations. We may see a direct final rule (or interim final rule) with amendments on these issues by November of this year. The path forward for the remaining issues is still undetermined/unknown but conversations with the agency in support of our concerns and solutions continue.

Subpart W
On May 14, 2024, EPA published its finalized updates to greenhouse gas (GHG) reporting requirements for oil and gas facilities under Subpart W of the GHG Reporting Program. In addition to incorporating updates that had begun in the prior year to account for evolution in oil and gas operations, this extensive proposal is aimed at addressing EPA's mandate under the Inflation Reduction Act (IRA) to revise the requirements of Subpart W to achieve two key objectives: (1) to ensure that calculations are based on latest empirical data and research; and (2) to accurately reflect the total methane emissions potentially subject to the waste emissions charge under the IRA's Methane Emission Reduction Program (MERP). Under the final rule, reporters are required to adhere to the revised regime starting with their 2025 reported emissions, although companies have the option to use the newer methodologies earlier if desired. For some sources, the final rule allows operators to demonstrate their performance using site- and operator-specific empirical data to improve the accuracy of their facility specific accounting, as well as updates many default emission factors and incorporates several new sources of emissions including a new category of "large emission events."

While AXPC supports updating Subpart W to better reflect modern operations and industry progress on emissions, we are still concerneds that the default factors chosen in some cases are inaccurate or unrepresentative, which may result in numbers that inaccurately make it appear as though emissions are increasing when the opposite is true. Two key areas within the rule that exemplify this concern are: flare emissions and methane slip emissions. For these reasons, similar to EPA's Methane Rule, AXPC worked closely with API to file a joint petition for reconsideration on the final Subpart W rule as well. AXPC also filed a separate but coordinated petition challenging the rule in D.C. Circuit Court.

Waste Emissions Charge (Methane Fee)
On May 6, 2024, EPA proposed a rule to implement the methane fee established by the Inflation Reduction Act (IRA) in its Methane Emissions Reduction Program (MERP). The methane fee, known now regulatorily as the Waste Emissions Charge (WEC), applies a per ton charge on methane emitted from certain oil and gas facilities (which as defined under the rule are more like basins) that report more than 25,000 metric tons of CO2 equivalent per year under the GHG Reporting Program for petroleum and natural gas systems. The rule establishes the calculation methodologies and conversion factors that companies would be required to use for determining their exposure to the fee. Companies subject to this methane tax will pay $900 for every metric ton of methane in excess of a threshold level (i.e. methane intensity) set by the statute, rising in increments to

$1,200 for 2025 and $1,500 for 2026, with the same rate applying for subsequent years. As proposed, the WEC would be implemented starting with the 2024 reporting year, with the tax first payable in March 2025 on those 2024 emissions.

Though many elements of EPA's proposal are relatively straightforward outgrowths of the authorizing legislation, there are still a number of provisions that raised concern, and we believe merit revision in a final rule. In particular, AXPC has engaged the agency on potential changes to address inequity concerns created by EPA's chosen methodology for determining Waste Emissions Threshold. As proposed, this calculation heavily favors dry gas production over operations for primarily liquids production and in so doing, creates unintended inequities and inconsistencies with legislative intent. Additionally, EPA's proposed compliance exemption is essentially unachievable, falling short of Congressional intent and EPA's own impact estimate for the rule. We continue to advocate solutions with the agency for these and other concerns in hopes of influencing an improved final rule, expected sometime before year-end.

Federal Nexus and Minerals Management

NEPA

On May 1, 2024, CEQ finalized its Phase 2 rulemaking—the "Bipartisan Permitting Reform Implementation Rule"—to revise its regulations for implementing the procedural provisions of the National Environmental Policy Act (NEPA). In stark contrast to the measures aimed at promoting efficiency enacted in the Fiscal Responsibility Act of 2023 (FRA), CEQ's Phase 2 rule includes numerous features that are more about imposing substantive requirements on project applicants during the agency's environmental reviews. These include an enhanced ability for agencies to demand mitigation of environmental impacts and the imposition of requirements on agencies to broadly consider climate change and environmental justice community impacts in their decision-making processes and adds new processes to consider Tribal impacts and communities, such as incorporating "Indigenous Knowledge" into Federal decisions. The new regulations apply to any NEPA process that begins after July 1, 2024. Federal agencies implementing NEPA will have up to an additional twelve months to revise their agency specific-NEPA regulations. The most recent Unified Regulatory Agenda shows that United States Army Corps of Engineers intends to promulgate its proposed notice of rulemaking to implement NEPA under the CEQ Phase 2 rules around April of 2025.

BLM Waste Prevention Rule

On April 10, 2024, the Bureau of Land Management finalized the Waste Prevention Rule and it became effective on June 10, 2024. Under this final rule, BLM has somewhat curbed its intent to regulate facilities used for production from public and Indian lands by withdrawing regulations related to pneumatics and VRUs, however the agency still seeks to vigorously regulate the venting and flaring of production. In doing so, BLM expands operator production reporting and recordkeeping requirements and the Department of Interior (either through BLM or the Office of Natural Resources Revenue (ONRR)) may impose significant penalties against operators, including the ability to shut-in or curtail production or later pursue lease cancelation under existing provisions of the Mineral Leasing Act when an operator fails to "use all reasonable precautions to prevent waste of oil or gas developed." Notably, the final rule text significantly changed from what was included in the proposed rule. In the final rule, BLM created new formulas and thresholds and changed some reporting requirements to ONRR. This has resulted in numerous implementation questions being raised by operators. AXPC recently obtained written guidance from BLM to help answer implementation questions being raised by members. Operators should plan to comply with the rule's reporting provisions in their August and September reporting filed with ONRR. In the meantime, BLM intends to publish some corrections to the calculations for low pressure flaring in the Federal Register soon. AXPC will continue to work with BLM to request further technical guidance for implementation.

While no trade associations have filed litigation challenging the final BLM Waste Rule, a lawsuit has been filed by the States of Texas, North Dakota, Montana and Wyoming. This litigation has slowed down BLM staff's ability to communicate with stakeholders regarding rule implementation, as all guidance is now being vetted through the Department of Interior's Solicitor's Office.

BLM Fluid Mineral Leases and Leasing Process Rule

On April 12, 2024, the BLM finalized the Fluid Mineral Leases and Leasing Process rule (FMLLP), and this final rule became effective on June 22, 2024. The FMLLP is the first overhaul to the leasing program since 1988, and it covers a lot of different topics and requirements. Among other things, the rule reflects provisions of the Inflation Reduction Act (IRA) pertaining to royalty rates, rentals, and minimum bids, and updates the bonding requirements for leasing, development, and production.

In the final rule, BLM raises the minimum bonding requirements by a factor of 15 for individual federal leases, raising the minimum amount from $10,000 to $150,000, and by a factor of 20 for statewide bonds, raising the minimum amount from $25,000 to $500,000. The rule, which requires the updated bonding amounts in place 1 year after the final rule's effective date for individual lease bonds and 2 years after enactment for statewide bonds. The rule also removes the option for unit and nationwide bonds. This rule's bonding amounts are based on companies operating on-average 7 wells/operator and there is language in the rule that would also allow BLM to increase bonding amounts if bonding is deemed inadequate. Additionally, the rule changes the term of APDs to 3 years and introduces a new "preference criteria" during the federal oil and gas leasing process which would allow the agency to block lands from leasing and cancel pending lease sales if necessary to protect sensitive areas. Western Energy Alliance, along with several state trade associations, have filed a lawsuit challenging the rule's validity.

BLM Conservation & Landscape Health

In April 2024, the BLM finalized the Conservation and Landscape Health rule, which will overhaul a variety of existing land-management procedures at the BLM. The final rule was published in the Federal Register on May 9, 2024, and was made effective as of June 10, 2024. The rule gives the agency authority to "prioritize the health and resilience of ecosystems" across the nearly 250 million acres of federally owned land it oversees, including express requirements for the agency to maintain and prioritize intact landscapes. Agency officials and supporters of the rule say it would place conservation on par with other industrial uses of federal lands in the land planning process. The final rule also gives BLM the ability to issue 10-year leases to third parties for the mitigation and restoration of lands, increases the agency's ability to designate Areas of Critical Environmental Concern without public notice and comment, and allows for BLM to require compensatory mitigation to compensate for environmental impacts to public lands. AXPC has been informed that BLM will be releasing several instructional memorandums before the end of the year, which further explain how BLM staff will implement many of these new concepts.

Shortly before this final rule was released, BLM started to propose amendments to numerous Resource Management Plans (the planning documents used by BLM to dictate where mineral development and other uses are deemed appropriate). It appears that BLM is using its redefined priorities under the Conservation & Landscape Health Rule and newly articulated compensatory mitigation authority to potentially increase costs or block oil and gas development in states like Wyoming, where there has been litigation regarding the protection of habitat of sensitive species like the Greater Sage Grouse. During the Late Spring-Summer of 2024, BLM sought to substantively amend approximately 79 different Resource Management Plans in the Western United States in a manner that will impair oil and gas activities and require compensatory mitigation.

The states of Utah and Wyoming have filed litigation challenging the validity of this rule. It is expected that API and WEA will join in this litigation along with a cooperative of other national trade associations representing other industries.

ESA

On June 4, 2021, the U.S. Fish and Wildlife Service (FWS) and the National Oceanic and Atmospheric Administration's National Marine Fisheries Service (NMFS) announced a plan to bolster implementation of the Endangered Species Act (ESA). The plan included a set of proposed actions that follow Executive Order 13990 *Protecting Public Health and the Environment and Restoring Science To Tackle the Climate Crisis.* On June 22, 2023, the U.S. Fish and Wildlife Service and NMFS announced three proposed rules revising portions of the ESA implementing regulations. A combined total of approximately 468,000 comments were received during the public comment periods on these three rules.

On June 5, 2024, FWS announced that it will conduct five-year status reviews of 59 endangered or threatened fish, wildlife, and plants. These five-year reviews will ensure listing classifications under the ESA are accurate and will recommend any change in status, where appropriate, based on the latest science and analysis. The public is invited to provide information and comments concerning these species on or before August 5, 2024. Member companies have been reviewing FWS's announcement and are tracking ESA updates announced by the agency. In particular, AXPC members continue to monitor potential future listings of species like the Monarch Butterfly that could impact operations.

Financial Regs

SEC Climate Risk Disclosure Rule

On March 6, the Securities and Exchange Commission (SEC) finalized rules to enhance and standardize climate-related disclosures by public companies and in public offerings (SEC Climate Rule). The SEC Climate Rule imposes significant new requirements and obligations on publicly traded member companies. However, there were many notable improvements from the 2022 proposed rule, including priority issues addressed within AXPC advocacy efforts, such as the exclusion of Scope 3 emissions reporting requirements and the addition of materiality qualifiers to many categories of requirements.

The rule was to take effect on May 28, 2024, however since its finalization, the rule faced an array of lawsuits filed in six different appellate courts, including from the U.S. Chamber of Commerce, the Sierra Club, and now 43 states in various coalitions. Some challengers feel the rule went too far, while others feel the rule did not go far enough. Through a procedural lottery the 8th U.S. Circuit Court of Appeals in St. Louis was selected to hear nine lawsuits challenging the rule on a consolidated basis. It was expected that the 8th Circuit would grant stay of the rule, but before that could happen, on April 4th, SEC announced it voluntarily agreed to stay implementation of its final rule. The 8th Circuit issued a briefing schedule, petitioners were required to file an opening brief by June 14, 2024, and respondents to file a consolidated response brief by August 5, 2024. Amici supporting petitioners' brief was due June 24, 2024, and amici supporting respondents' brief will be due August 15, 2024.

Even with the ongoing litigation, it is expected that the SEC will continue at the staff level to move forward with a process for providing clarity to market participants on aspects of the final rule that are ambiguous, likely through a combination of generally applicable Frequently Asked Questions (FAQs) and targeted relief through no-action letters. Once the litigation is resolved, and assuming the rules stand, the SEC will announce a new effective date. Should the Climate Rule become effective in a form similar to how it was finalized, it will likely be important for companies to have AXPC participate in these implementation efforts.

SEC ESG Funds Rule

In May 2022, SEC proposed rules to categorize certain types of ESG strategies broadly and require funds and advisers to provide more specific disclosures in fund prospectuses, annual reports, and adviser brochures based on the ESG strategies they pursue. Funds focused on the consideration of environmental factors generally would be required to disclose the greenhouse gas emissions associated with their portfolio investments. Funds claiming to achieve a specific ESG impact would be required to describe the specific impacts they seek to achieve and summarize their progress on achieving those impacts. Funds that use proxy voting or other engagement with issuers as a significant means of implementing their ESG strategy would be required to disclose information regarding their voting of proxies on particular ESG-related voting matters and information concerning their ESG engagement meetings. We expect that SEC will finalize this rule later in 2024.

SEC – NYSE Application for Natural Asset Company Listings (pulled back)

In September 2023, the New York Stock Exchange (NYSE) proposed new listing standards for a type of public company called a "Natural Asset Company" (NAC), which would focus on managing, maintaining, restoring, and growing natural assets and their ecosystem services. The proposal included governance and reporting requirements tailored to NACs, such as specific provisions in corporate charters, new policies, and a reporting framework including mandatory "Ecological Performance Reports." It is believed that NACs could be used to finance mitigation and restoration leases being created by the BLM in its proposed Conservation and Landscape Health rule. However, the SEC withdrew the proposal in January 2024 after receiving negative feedback from regulators, market participants, and others. Criticism included concerns about the proposal's impact on public lands, potential for abuse, and alleged conflicts of interest. Nevertheless, we expect NACs to continue to receive attention as advocacy groups look for ways to raise capital for conservation purposes.

PCAOB Noncompliance with Laws and Regulations Proposal

In June 2023, the Public Company Accounting Oversight Board (PCAOB) introduced a proposal that aims to broaden auditing standards by requiring auditors to assess a company's compliance with laws and regulations alongside financial impacts. The proposal mandates auditors to identify noncompliance risks, consider fraud in the definition of noncompliance, and remove distinctions between direct and indirect financial impacts of noncompliance. AXPC joined with the US Chamber of Commerce to provide public comments against the proposal. PCAOB has not taken additional actions since the comment period closed in August of 2023. However, the proposal will require SEC sign off before finalization.

Treasury Voluntary Carbon Markets Guidance

On May 28, 2024, the Administration issued a joint statement of policy and principles for “responsible participation in voluntary carbon markets.” Led by the Department of Treasury and co-signed by the Department of Agriculture, the Department of Energy as well as White House Climate Advisors, the principles attempt to create structure and transparency for market participants to transact carbon credits and seek to ensure purchases will deliver verifiable decarbonization outcomes.

AXPC'S 2025 POLICY ROADMAP TO UNLEASH AMERICAN ENERGY

DRAFT

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AMERICAN EXPLORATION & PRODUCTION COUNCIL

Government Affairs Update

VICE PRESIDENT HARRIS'S POSITIONS ON ENERGY & ENVIRONMENT

With President Biden's decision to step down as the Democrat presidential nominee, there is renewed focus on Vice President Kamala Harris's policy views. On oil and gas, Harris has targeted the industry. During her time in the Senate, Vice President Harris was one of the first co-sponsors of the Green New Deal — a legislative and regulatory framework to transition the country to 100% clean energy within ten years, including job guarantees for displaced workers. She also introduced the Environmental Justice for All Act to impose significant fees on federal oil and gas leases and move the U.S. toward renewable energy. As Attorney General of California, she launched an investigation of Exxon Mobil for allegedly lying about climate-change risks and whether those actions could arise to securities fraud and violations of environmental laws, in addition to pursuing litigation against several oil and gas producers. As a district attorney in San Francisco, she created one of the first environmental justice investigation units in the country.

During her 2019 presidential campaign, Harris stated that she supported banning fracking and would reduce or eliminate oil and gas production on federal lands. Recently, her campaign walked back her statement on banning fracking, claiming that it was "false." She also proposed large investments in community-based climate projects and emphasized cutting greenhouse gas emissions by half by 2030 and reaching net-zero by 2050. At the COP28 Leaders' Session, Harris called for global collaboration to phase out fossil fuels and combat climate change, denouncing "corporations that greenwash climate inaction and lobby for billions of dollars in fossil fuel subsidies."

STATE OF CONGRESS

House

The House adjourned for August recess on July 27, after trying but failing to pass all twelve Appropriations subcommittee bills (five of the twelve bills passed largely on party-lines). When they return in September, Republicans will look to hold a series of policy weeks — e.g., "anti-China week" and "anti-woke/-ESG week" — in which they will package messaging bills with thematic hearings. They also will have to pass a stopgap funding bill by September 30 to avoid another government shutdown. Speaker Mike Johnson (R-LA) has not decided yet whether he prefers funding through December or January. Some conservatives want to punt the funding deadline until next year when, they hope, former President Trump will be back in the White House. Other Republicans, including Appropriations Committee Chair Tom Cole (R-OK), prefer to resolve long-term funding in December to avoid a spending fight in the first few weeks of the next administration.

Senate

The Senate stayed an extra week and left for recess on August 1. The chamber's big-ticket item upon returning, in addition to working with the House to clear stopgap funding, is to pass the annual National Defense Authorization Act (NDAA) and then negotiate with the House. Meanwhile, the Senate continues to work through its own appropriations process and could bring bills to the floor in September, as they clear committee.

CONGRESSIONAL OUTLOOK FOR 2024

Nominations: President Joe Biden secured the confirmations of Judy Chang, David Rosner, and Lindsay See to serve as commissioners on the U.S. Federal Energy Regulatory Commission (FERC). With the addition of Chang, FERC now has three Democrats and two Republicans on the Commission, officially bringing the agency to a full complement of five regulators.

Appropriations: Congress is still working through the President's fiscal year 2025 budget proposal.

In July, the House passed a $38.5 billion FY25 Interior-Environment spending bill, which is $72 million below FY24 levels. For EPA, the bill proposes a 20% reduction in EPA funding and bars the agency from enforcing a number of regulations, including EPA's waste emissions charge (i.e., the methane tax). It also includes various amendments and directives, notably mandating the Government Accountability Office to review climate and energy rules made before June 28 — following the Supreme Court's *Loper Bright* decision that reversed *Chevron*.

For DOI, the bill blocks implementation of BLM's Conservation and Landscape Health rule. Additionally, the Interior Department would have to immediately resume quarterly onshore leasing and conduct at least four onshore lease sales annually in Alaska, Colorado, Montana, Nevada, New Mexico, North Dakota, Oklahoma, Utah, Wyoming, and any other state with land available for oil and gas leasing. The measure would also block BLM from limiting leases in Alaska's National Petroleum Reserve and canceling leases in Alaska's arctic refuge.

The House Appropriations Committee also approved a $59 billion FY25 funding package for the Energy Department and federal water infrastructure programs, increasing FY24 levels by $999 million, along party lines. The bill includes amendments to reverse the Administration's pause on new LNG export permits and grants FERC exclusive authority over siting, constructing, and operating facilities for importing or exporting natural gas, including LNG terminals. This provision mimics language found in Rep. August Pfluger's (R-TX) H.R. 7176, the Unlocking Our Domestic LNG Potential Act of 2024. Additionally, the bill allocates $295 million for the Strategic Petroleum Reserve, an $81.8 million increase from FY24. House leaders pulled the funding bill from floor consideration after some Republican members voiced opposition to it, and the bill received no support from Democrats.

Many of these provisions are unlikely to succeed in the final, conferenced versions of the Appropriations bills, as they will face fierce opposition in the Democrat-controlled Senate. The Senate has not yet released its draft text of its FY25 Interior and Environment and Energy and Water bills.

Permitting: Despite a minor victory in permitting during the 2023 Fiscal Responsibility Act (debt-ceiling negotiations), finding bipartisan consensus on significant permitting reform has remained challenging for the 118th Congress.

But in July, Senate Energy & Natural Resources Committee Chairman Joe Manchin and Ranking Member John Barrasso announced an agreement on permitting reform. That legislation is inclusive of several AXPC priorities, including further streamlining the federal permitting process for development on energy resources on federal lands, ending the Administration's LNG export ban, reforming the existing backstop siting authority for interstate electric transmission lines, and requiring interregional transmission planning. However, AXPC's key permitting priority — creating a standard of judicial review for claims brought under the National Environmental Policy Act (NEPA)

— falls within the jurisdiction of the Senate Environment & Public Works Committee. While Chairman Tom Carper (D-DE) and Ranking Member Shelley Moore Capito (R-WV) have been in regular discussions about the parameters of a permitting deal; they are still far from reaching an agreement. Chairman Carper, in particular, is reluctant to embrace legislation beyond the provisions included in the Fiscal Responsibility Act.

In the House, AXPC continues to actively work with House Natural Resources Committee Chairman Bruce Westerman (R-AR) who is in discussions with Democratic Committee member Scott Peters (D-CA). The House Natural Resources Committee would have jurisdiction over the NEPA issue, and there may be some receptivity to including AXPC's policy changes on this issue.

Despite the ongoing conversations in both chambers, the likelihood of a bipartisan agreement on permitting reform in 2024 remains questionable. The main challenge lies in finding a compromise that addresses judicial reforms and promotes the expansion of transmission capacity for renewable energy projects. Political considerations will play a significant role in determining the fate of permitting legislation this year. Congressional Republicans are unlikely to agree to a deal that would be seen as a win for Democrats and President Biden during an election year. This echoes a similar situation in the past, where a bipartisan immigration deal was thwarted by former President Donald Trump.

Taxes: Congress will need to enact new tax legislation in 2025 to address the sunsetting of individual tax provisions enacted as part of the Tax Cuts and Jobs Act (TCJA). Specifically, the TCJA individual tax provisions — particularly the rate cuts affecting lower- and middle-income taxpayers, and small businesses — are the most politically popular parts of TCJA, and, thus, difficult for either party to let expire in their entirety. In contrast, most of the corporate tax provisions of TCJA are "permanent in law," in that they are not subject to automatic sunset. But Congress can change any law at any time, and the forthcoming tax debate is generally regarded by congressional tax-writers as offering the opportunity to revisit the state of the law as it affects both corporate and individual taxpayers.

AXPC views this as a vehicle to fix the treatment of IDCs under CAMT. To that end, in July, AXPC hosted the Ways and Means "Supply Chain" Working Group, which is responsible for considering energy tax provisions ahead of the 2025 tax legislation, in Ohio. The working group was led by Congresswoman Miller (R-WV), Chairwoman of the Supply Chains Tax Team, and also attended by Representatives Michelle Fischbach (R-MN) and Randy Feenstra (R-IA).

Congressional Review Act: The Congressional Review Act (CRA) deadline is approaching and could come as early as July 2024. The exact cut-off date is contingent on whether Congress adds or cancels session days at the end of the year. Based on the current calendar — which could change depending on the status of must-pass legislation like the NDAA and the FY25 Appropriations bills — the CRA cut-off date would be August 6. Regulations that are not implemented by August 6 would be subject to a CRA Resolution if Republicans control the White House, Senate, and House this election cycle.

Senator Ted Cruz (R-TX) and Rep. August Pfluger (R-TX) have introduced a joint resolution, H.J. Res. 162 and S.J. Res. 102, to nullify the endangered-species designation for the dunes sagebrush lizard. Neither resolution has progressed in their respective chambers.

AMERICAN EXPLORATION & PRODUCTION COUNCIL

Miscellaneous:

- **Digital Assets:** Retiring Agriculture Committee Chair Stabenow is diligently working to pass legislation that would create a new financial regulatory framework for digital assets and provide the CFTC with spot market authority. Chair Stabenow and Ranking Member Boozman previously worked together on the Digital Commodities Consumer Protection Act (DCCPA) in the 117th Congress. While Chair Stabenow's goal is to markup the legislation before the August recess, there is currently no bipartisan agreement. Rank and file Senators have just recently seen the legislation, and there does not appear to be consensus yet. The Senate feels pressured to act on digital asset legislation after the House of Representatives passed the FIT21 Act with broad, bipartisan support.
- **Data Privacy:** The House Energy and Commerce Committee postponed their markup of the American Privacy Rights Act after GOP Leadership refused to endorse the bill. Since the markup's cancellation, momentum for the legislation has dwindled. House E&C Chair McMorris Rodgers (R-WA) will try to shore up support for the bill in the weeks ahead, but it is unclear if that will be enough to get it across the finish line. Industry has also come out against the latest version of the bill.
- **Artificial Intelligence:** AI activity in the Senate has declined after the bipartisan group of four Senators, spearheaded by Senate Majority Leader Schumer (D-NY), released their much-anticipated AI framework. In the House, the Bipartisan AI Task Force continues to meet in earnest. Although, House Majority Leader Scalise (R-LA) recently came out against passing any major AI legislation, which complicates the passage of any piece of consequential AI legislation.
- **Farm Bill:** The Farm bill will expire on September 30th and the limited window to pass a five-year comprehensive reauthorization has all but expired given the stalemate between the House and Senate Agriculture Committees, leading Senate Agriculture Chair Stabenow (D-MI) to focus on crypto legislation this month. With the lack of progress, we expect that Congress will pass another short-term extension before the September deadline and then see if there's any appetite to do a comprehensive authorization before the end of the year.

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UPDATED 2024 POLLING

Senate: Key States[1]

State	Republican	Democrat	Race	Spread
Arizona	Kari Lake 44%	Ruben Gallego 47%	Toss Up	Gallego +3
Michigan	Elissa Slotkin 47%	Mike Rogers 41%	Lean D	Slotkin +6
Nevada	Sam Brown 43%	*Jacky Rosen 47%	Toss Up	Rosen +4
New Mexico	Nella Domenici 40%	*Martin Heinrich 47%	Lean D	Heinrich +7
Wisconsin	Eric Hovde 44%	*Tammy Baldwin 50%	Lean D	Baldwin +6
Ohio	Bernie Moreno 40%	*Sherrod Brown 45%	Toss Up	Brown +5
Pennsylvania	Dave McCormick 43%	*Bob Casey 49%	Lean D	Casey +6
Texas	*Ted Cruz 47%	Collin Allred 40%	Likely R	Cruz +7
Maryland	Larry Hogan 39%	Angela Alsobrooks 48%	Likely D	Alsobrooks +11
Montana	Tim Sheehy 46%	Jon Tester 45%	Toss Up	Sheehy +1

*Incumbent

House: Cook Political Report Race Ratings[2]

Likely Democrat 15 D | 1 R	Lean Democrat 13 D | 1 R	Democrat Toss Up 11 D | 0 R	Republican Toss Up 0 D | 11 R	Lean Republican 0 Dem | 8 R	Likely Republican 0 D | 9 R
AL-02 NEW SEAT	*AK-AL Peltola*	*CO-08 Caraveo*	AZ-01 Schweikert	CA-45 Steel	*CA-03 Kiley*
CA-09 Harder	CA-47 OPEN (Porter)	ME-02 Golden	*AZ-06 Ciscomani*	CO-03 OPEN (Boebert)	CA-40 Kim
CA-49 Levin	CT-05 Hayes	MI-07 OPEN (Slotkin)	*CA-13 Duarte*	*IA-03 Nunn*	*FL-13 Luna*
FL-09 Soto	*IL-17 Sorensen*	MI-08 OPEN (Kildee)	CA-22 Valadao	*MI-10 James*	IA-01 Miller-Meeks
FL-23 Moskowitz	IN-01 Mrvan	*NC-01 Davis*	CA-27 Garcia	NE-02 Bacon	*MT-01 Zinke*
KS-03 Davids	MN-02 Craig	*NM-02 Vasquez*	CA-41 Calvert	PA-10 Perry	*NY-01 LaLota*
MD-06 OPEN (Trone)	NV-03 Lee	OH-09 Kaptur	*NJ-07 Kean Jr.*	*VA-02 Kiggans*	PA-01 Fitzpatrick
MI-03 Scholten	*NY-18 Ryan*	*OH-13 Sykes*	*NY-04 D'Esposito*	*WI-03 Van Orden*	*TX-15 De La Cruz*
NH-01 Pappas	*NY-22 Williams*	PA-07 Wild	*NY-17 Lawler*		WI-01 Steil
NH-02 OPEN (Kuster)	*OR-06 Salinas*	PA-08 Cartwright	*NY-19 Molinaro*		
NV-01 Titus	*PA-17 Deluzio*	*WA-03 Perez*	*OR-05 Chavez-DeRemer*		
NV-04 Horsford	TX-28 Cuellar				
NY-03 Suozzi	TX-34 Gonzalez				
OH-01 Landsman	VA-07 OPEN (Spanberger)				
OR-04 Hoyle					
WA-08 Schrier					

[1] https://www.realclearpolling.com/

[2] https://www.cookpolitical.com/ratings/house-race-ratings

AXPC ENERGY TRACKER

Check out AXPC's Energy Policy Tracker to see how members of Congress acted on select energy issues

AXPC's Energy Policy Tracker

TCJA LAY OF THE LAND

Background of the Tax Cuts and Jobs Act (TCJA)

As Congress enters high political season before the November elections it is shifting focus from this year's major legislating initiatives to next year's agenda and must-do lists. This is particularly true in the tax policy space as the TCJA's individual and pass-through tax provisions sunset at the end of 2025 and revert to pre-2018 tax law unless legislation extending them is enacted before then.

Enacted in late 2017, TCJA was the first comprehensive reform of the Internal Revenue Code since 1986. The bill significantly broadened the corporate tax base (domestic and international) while reducing the corporate tax rate. At the same time, it lowered marginal tax rates while limiting various deductions for individuals and pass-through businesses.[1] For procedural purposes, the GOP-controlled Congress chose to sunset the individual tax provisions after December 31, 2025, which from a budget perspective helped protect TCJA from running afoul of restrictions of the Congressional budget reconciliation process.[2]

The individual tax provisions—particularly the rate cuts affecting lower- and middle-income taxpayers, and small businesses—are the most politically popular parts of TCJA, and, thus, difficult for either party to let expire in their entirety. In contrast, most of the corporate tax provisions of TCJA are "permanent in law," in that they are not subject to automatic sunset.[3] But Congress can change any law at any time, and the forthcoming tax debate is generally regarded by Congressional tax-writers as offering the opportunity to revisit the state of the law as it affects both corporate and individual taxpayers.[4]

Recent estimates peg the gross cost of making all of the expiring provisions permanent at roughly $3.5 to $4.5 trillion over 10 years, depending on various economic and budgetary assumptions. The debt limit comes back into effect on January 1, 2025, and next spring or summer Congress will once again have to raise it, which may further heighten fiscal rectitude. To that end, the cost of extensions could be reduced by shortening the duration of extensions; picking and choosing specific provisions to extend; and/or including tax offsets from inside or outside of TCJA – of which there is a panoply of options, some of which depends on election outcome.

If President Biden is reelected, he will continue to push for extension of expiring tax cuts for individuals earning below $400,000 and for various new child tax-credit benefits for lower-income individuals. Biden will attempt to offset the multi-trillion-dollar cost of doing so by raising taxes on upper-income individual and corporate taxpayers, all while holding harmless climate tax incentives enacted by the 2022

[1] Broadly speaking, for individual taxpayers TCJA lowered tax rates, nearly eliminated the alternative minimum tax (AMT), and doubled the estate tax exemption, while limiting various deductions, including state and local taxes (SALT). It also reduced the corporate tax rate from 35 to 21 percent while significantly broadening the corporate tax base, and reformed how US companies operating globally are taxed by the US on their worldwide income.
[2] While portions of TCJA were entirely paid for, on net it was scored by the Joint Committee on Taxation as on net reducing revenue by $1.45 trillion over 10 years, before accounting for new revenue due to economic growth expected to result following its enactment.
[3] Corporate tax cuts were made permanent-in-law in part because the rate reduction was largely paid for by revenue raised from broadening the corporate tax base. Members also recognized that businesses make long-term investment decisions, and that stability in the corporate tax law is necessary to maximize economic growth.
[4] Republicans on the House Ways and Means Committee and the Senate Finance Committee have set up "Tax Teams" and "Working Groups," respectively, to review a wide variety of tax policies across the individual, corporate, small business/pass-throughs, international, savings and investment, energy, and community development sectors.

Inflation Reduction Act (IRA). To that end, in his budget proposal to Congress Biden has proposed a menu of options totaling over $4.5 trillion in tax increases.[5]

On the other hand, if elected, former President Trump has promised additional tax cuts for individuals and has vowed to overturn the IRA. Trump insisted on the 21 percent corporate rate in 2017 (after first proposing 15 percent) and has recently called for reducing it further, to 20 percent. However, some on the more economically populist political right have increasingly begun to question the efficacy of the lower rate, and still other GOP members have indicated interest in partially paying for the cost of tax cut extensions due to concerns over rising debt. Achieving unity on a proposal will be difficult even if the GOP controls all of government; the risks are further magnified if government control is divided.

Irrespective of who controls the levers of government next year, Congress will also need to deal with the OECD global minimum tax agreement that is currently being implemented by EU countries and by other large economies such as the UK, Australia, and Japan. Beginning next year, those countries plan to charge US-based businesses additional tax in certain circumstances unless the US complies with the OECD agreement by enacting significant changes to the Global Intangible Low-Taxed Income" (GILTI) provisions – the minimum-tax regime on overseas earnings – enacted as part of TCJA.

Budget Reconciliation Process and Implications

TCJA was passed via the budget reconciliation process, the primary benefit of which is to allow the Senate to expedite certain budgetary legislation on a simple majority vote, with no 60-vote threshold required. Reconciliation is subject to various limitations, beginning with the permissible scope of such legislation.[6] It is also not permitted for legislation that increases the deficit *beyond* the budget window (normally ten years), which is why portions of the TCJA are scheduled to expire after December 31, 2025.

While originally enacted as a bipartisan means to accomplish deficit reduction, over the past 25 years both political parties have come to use reconciliation for passing partisan legislation; as a result, this process is currently only utilized when one party controls the presidency, the House, and the Senate.[7] Whether reconciliation is utilized in 2025 rests entirely on whether one party consolidates control in November. If so, the odds of addressing TCJA through reconciliation are extremely high; if not, the parties will be forced into a vigorous negotiation that could feature unusual political alliances that will shape the future of the tax law in significant ways.

While both parties hope to control the House/Senate/presidency trifecta next year, the odds for Democratic unified control are relatively low given the perilous Senate map they face this cycle. The

[5] President Biden's FY25 budget proposal includes roughly $2.7 trillion in tax increases on businesses, and $1.8 trillion in tax increases on upper-income individual taxpayers earning more than $400,000. Its proposals include increasing the corporate rate from 21 to 28 percent (raising $1.35 trillion); increasing the corporate alternative minimum tax to 21 percent ($137 bn); quadrupling the stock buyback excise tax ($166 bn); limiting deductions for employee compensation ($270 bn); revising the global minimum tax regime ($375 bn); raising the top marginal and capital gains tax rates ($535 bn); and imposing a wealth tax on certain taxpayers ($500 bn), among others.
[6] For example, provisions that don't change spending or revenues, or whose budgetary impacts are "merely incidental" to their non-budgetary impact, are disallowed, as are changes to Social Security.
[7] Budget reconciliation was used by the GOP to enact the Bush tax cuts in 2001 and the Trump tax cuts in 2017; it was used by Democrats to enact portions of the Affordable Care Act in 2010, COVID-19 spending in 2021, and the Inflation Reduction Act in 2022. It has not been used during times of divided government since the late 1990's.

odds instead favor one of two scenarios: either the GOP will control all of government and will utilize a reconciliation process to pass a major tax bill; or a divided government will necessitate a protracted negotiation between the parties in order to prevent major tax increases in 2026 (similar to the "fiscal cliff" negotiations over the expiration of the Bush tax cuts at the end of 2012). In either circumstance, at this stage there is no clarity as to what lawmakers will ultimately agree upon.

GOP Tax Writers and Leaders Are Planning for All 2025 Election Scenarios

Between now and November, Congressional Republicans are planning their approach to tax legislation in 2025, including the use of budget reconciliation as circumstances allow. The planning process will also help Republicans determine their tax priorities in the event of divided government, and discussions are occurring within the tax-writing committees. The House Ways and Means GOP "Tax Teams" are actively inviting stakeholder input from the business community. The Senate Finance Committee GOP "Working Groups" are holding internal discussions among members, though those discussions are informed by regular input the Committee and its members receive from a wide variety of business stakeholders.

House and Senate GOP Leadership is also encouraging all committees to focus on items within their respective jurisdictions that could be included in reconciliation next year. Policies under consideration include border security, energy, financial services, health care and regulatory process reform. Majority Leader Steve Scalise is leading the effort for House Republicans, with Majority Whip Tom Emmer and Chief Deputy Whip Guy Reschenthaler facilitating listening sessions with members and stakeholders.

Outlook/Analysis

Whether Republicans control all of Washington, or if there is divided government, the 2025 tax debate will be wide ranging and is not entirely predictable. At this point there remain major unresolved questions on which Congressional Republicans are not yet aligned, including how much of the TCJA to extend, for how long, at what cost to the federal budget, and whether partial offsets are necessary. Biden and Trump generally answer those questions very differently, and the shape of a tax bill next year in significant part depends on the election outcome.

Generally speaking, Senate Finance Committee Republicans, led by Senator Mike Crapo, enter the discussion wary of raising corporate taxes to pay for extensions of individual tax cuts, and of the notion that such legislation should even require offsets. Trump's views will matter most, but the party's shift towards economic populism, coupled with rising concerns over the debt and deficit, means that nothing is off the table as the GOP embarks on its own internal deliberations.

GOP members are therefore considering a wide variety of potential revenue raisers, including proposals from previous tax reform exercises, components of the IRA, and provisions from previous presidential budgets. To that end, many GOP members in both chambers want to understand why, for example, the corporate tax rate was reduced from 35 to 21 percent in 2017, and how the rate reduction matters to small business and families (i.e., "Main Street").[8] There will be many more questions from members that follow in the coming months. These swirling dynamics necessitate robust Congressional engagement from stakeholders that could be impacted by higher tax rates and other changes to the tax code.

[8] Senator Crapo and others have begun to publicly make the case that the burden of the corporate rate is largely borne by individuals (including workers, consumers and retirees) rather than by the companies' themselves.

TAX FOUNDATION

Options for Navigating the 2025 Tax Cuts and Jobs Act Expirations

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May 2024

Executive Summary

Policymakers should have two priorities in the upcoming economic policy debates: a larger economy and fiscal responsibility. Principled, pro-growth tax policy can help accomplish both.

Congress is staring down the expiration of the Tax Cuts and Jobs Act (TCJA), and Tax Foundation is prepared to provide insight and analysis on the policies at stake. Since its enactment in 2017, the Tax Foundation team has studied the TCJA's underlying construction and resulting strengths and weaknesses. We have also analyzed fundamental reforms that would dramatically improve the U.S. tax system to support economic growth as well as greater efficiency and simplicity.

Whether lawmakers target fundamental tax reform or follow the outline of the TCJA, they will confront decisions on what to prioritize in this forthcoming round of tax reform. In that regard, staying within the overall TCJA construct, the Tax Foundation team has analyzed difficult, but revenue-neutral ways to build a pro-growth set of reform options that would not significantly worsen the deficit once changes to the economy are considered or substantially change the distribution of the tax burden across the income scale.

The alternative reform options outlined in this paper may not be politically popular, but they would grow the economy and provide sufficient revenue to avoid significantly increasing our nation's debt. The two alternative options would further broaden the tax base for individual income (more so than the TCJA), maintain much of the individual rate cuts from that law, improve the business tax base to support investment, and maintain the corporate tax rate of 21 percent.

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Both reform options would provide working families and businesses with more long-term certainty than the current expiring tax code and remove many of the tax code's special interest provisions.

The options prioritize provisions that have the largest "bang for the buck," or the most economic growth per dollar of revenue loss. These include immediate cost recovery for investments in the types of machinery and equipment upon which millions of small and large businesses depend, as well as immediate write-offs for investments in research and development. These two policy changes support a growing economy like no other tax policies proposed since the corporate tax rate was reduced from 35 percent to 21 percent. The options would also extend better cost recovery to investments that are currently excluded, resulting in more neutral tax treatment across assets.

The options in this paper show that pro-growth tax reform that does not add to the deficit requires tough choices. If lawmakers do not like the types of choices represented here, there are still other pro-growth options to achieve similar goals. Tax Foundation has modeled several alternative options over the last year. Our primary concern is not to endorse any of the specific policy options here, but to provide a resource to lawmakers so they can create sound tax policy.

With respect to the two options in this paper, the first would support an economy that is 1.4 percent larger in the long run and reduce the long-run debt-to-GDP ratio by 1.7 percentage points compared to what would happen under current law. The second option would have somewhat smaller impacts with an economy that is 0.9 percent larger and a debt-to-GDP ratio that is 0.1 percentage points larger.

Working families and businesses deserve a tax code that prioritizes growth and fiscal responsibility. This paper demonstrates multiple ways to reach those goals without substantially changing the distribution of the tax burden. These options can help Congress as lawmakers begin the difficult work of designing legislation to prevent an automatic, detrimental tax hike at the end of 2025.

Key Findings

- Unless Congress acts, the vast majority of Americans will see higher, more complicated taxes beginning in 2026 as major provisions from the Tax Cuts and Jobs Act of 2017 expire.
- The TCJA reduced average tax burdens for taxpayers across the income spectrum and temporarily simplified the tax filing process through structural reforms. It also boosted capital investment by reforming the corporate tax system and significantly improved the international tax system.
- If Congress fully extends the individual, estate, and business provisions, federal tax revenues would fall by more than $4 trillion on a conventional basis and by nearly $3.5 trillion on a dynamic basis over the coming decade; and without spending cuts, debt and deficits would increase.
- At a time of already high national debt, rising deficits, and higher interest rates, Congress should exercise fiscal responsibility when deciding how to extend the expiring changes.
- The decision process should be guided by promoting growth and critical principles of sound tax policy: simplicity, neutrality, transparency, and stability.
- Lawmakers must avoid economically counterproductive approaches to fiscal responsibility, such as paying for individual income tax cuts with higher taxes on business investment or trade.
- Tax Foundation outlines two approaches that illustrate possibilities and difficult trade-offs for designing a pro-growth and fiscally responsible extension of the TCJA without raising taxes on investment or trade.

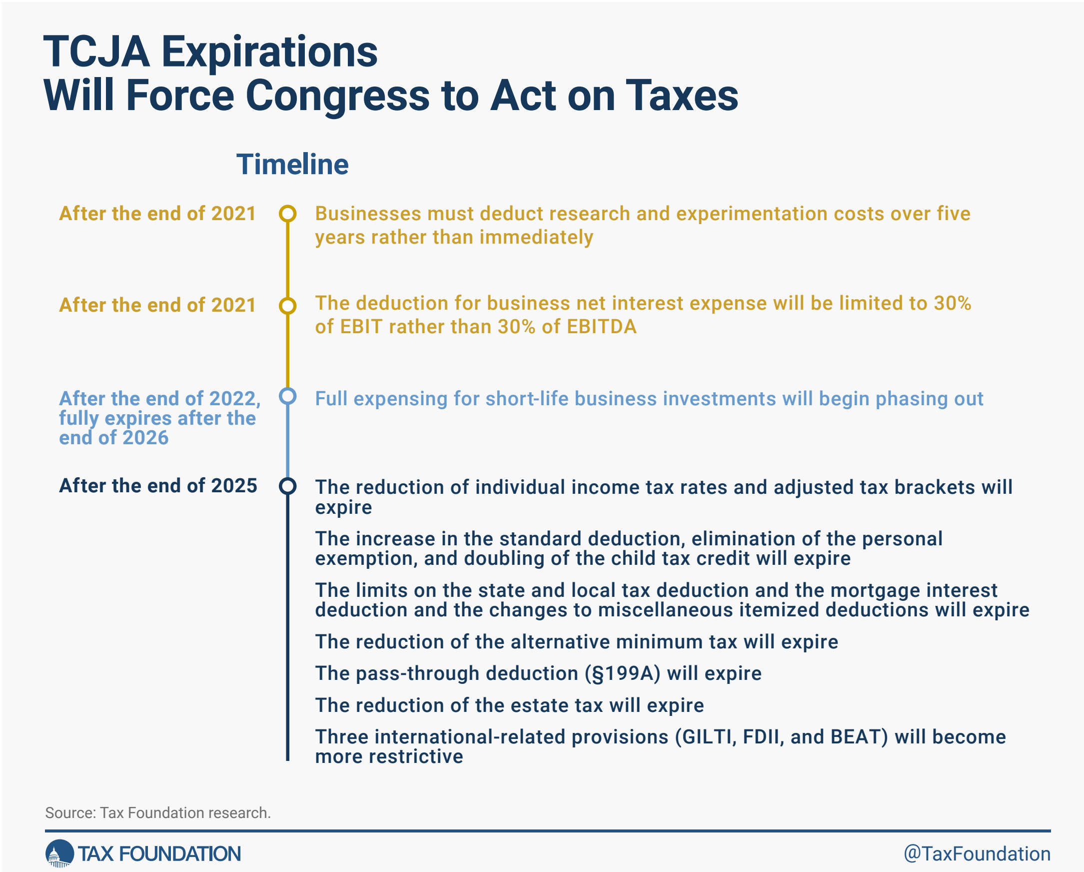
Lawmakers Will Have to Reform the Tax Code in 2025

The 2017 Tax Cuts and Jobs Act (TCJA) reduced average tax burdens for taxpayers across the income spectrum by temporarily changing the structure of the individual income tax, including lower rates, wider brackets, a larger standard deduction and child tax credit in lieu of personal and dependent exemptions, and limitations on itemized deductions. The reforms also reduced the individual income tax compliance burden by making it more advantageous for most filers to take the standard deduction and by eliminating the complexity of calculating their taxes again under the alternative minimum tax for millions of filers. Those changes all expire at the end of 2025, along with several TCJA business provisions over the next several years.

Absent congressional action, the tax system will largely revert to its previous structure, placing a higher and more complex tax burden on most people, as well as a higher tax burden on investment. Extending all the changes would greatly reduce federal tax revenue when debt is already high and deficits are rising.

As lawmakers face the challenge posed by the upcoming expirations, they should be guided by the principles of sound tax policy: simplicity, neutrality, transparency, and stability. Weighing how each provision affects individuals' tax burdens, federal revenue, the complexity of today's income tax system, and, most importantly, the effects of taxes on economic growth, will help prioritize which provisions should be permanent and how they should be funded.

Figure 1.



One looming threat is that Congress will offset the cost of extending the individual tax cuts by hiking economically harmful taxes elsewhere. Several proposals have already surfaced suggesting higher taxes on corporations, investment, work, and saving to pay for continuing the TCJA's lower taxes for individuals. Elsewhere, higher tariffs (taxes on U.S. purchases from foreign businesses) have been proposed to offset the cost of individual tax cuts. While such proposals may offset the fiscal cost of TCJA extensions, they would worsen incentives for productive activity in the United States and impose significant economic costs on the same taxpayers they purport to help. The expirations in 2025 should not be used to further riddle the tax code with distortions, redistributions, and economically harmful provisions to pay for tax breaks for some at the expense of economic growth for all.

Instead, lawmakers should use the opportunity in 2025 to further simplify and improve the tax code. Broadening the individual income tax base and ensuring permanence for better cost recovery provisions and lower tax rates would make the system more pro-growth without significantly reducing federal revenues or harming incentives to work and invest.

Ideally, tax reform would reach farther than the TCJA provisions alone. Tax Foundation has outlined several options for fundamental reform, including moving to a flat individual income tax paired with a distributed profits tax, as other nations have successfully implemented, as well as moving to a consumption-based business profits and household compensation tax. Such reforms would go beyond the TCJA's changes to the income tax system and move instead toward a consumption tax system. However, short of the consumption tax reform ideal, policymakers should avoid economically counterproductive tax hikes on business, trade, and investment to offset the cost of individual tax cuts. We illustrate two better options that primarily rely on base broadeners to pay for TCJA-like extensions.

The Expiring Tax Provisions

The TCJA adjusted tax bracket thresholds and widths to reduce marriage penalties and reduced five of the seven individual income tax rates. Rates fell from 10 percent, 15 percent, 25 percent, 28 percent, 33 percent, 35 percent, and 39.6 percent to 10 percent, 12 percent, 22 percent, 24 percent, 32 percent, 35 percent, and 37 percent.

The TCJA reconfigured tax adjustments for household size, shifting tax benefits toward lower- and middle-income households with roughly revenue-neutral adjustments to the standard deduction, personal and dependent exemptions, and the child tax credit (CTC). Specifically, the TCJA:

- Increased the standard deduction from $6,350 to $12,700 for singles and from $12,700 to $25,400 for married joint filers in 2018, adjusted annually for inflation
- Increased the CTC from $1,000 to $2,000, with the maximum refundable portion increased from $1,000 to $1,400 in 2018, adjusted for inflation until it reaches $2,000; lowered the CTC phase-in threshold from $3,000 to $2,500; and lifted the phaseout thresholds from $75,000 to $200,000 for single filers and from $110,000 to $400,000 for married couples filing jointly
- Created a nonrefundable $500 credit for certain dependents who do not meet the CTC eligibility guidelines
- Suspended the personal exemption, which had previously allowed households to reduce their taxable income by $4,050 for each filer and dependent, adjusted annually for inflation

To simplify the tax system and offset part of the cost of the rate reductions, the TCJA reduced itemized deductions by:

- Lowering the cap on home mortgage interest deductions from $1 million in principal to $750,000 and making interest on home equity debt nondeductible
- Introducing a $10,000 limitation on the itemized deduction for state and local taxes paid
- Suspending miscellaneous itemized deductions such as casualty and theft losses

The TCJA also simplified the tax system by significantly reducing the number of households caught up in the alternative minimum tax (AMT) by increasing the AMT exemption and the exemption phaseout thresholds and by repealing the Pease limitation on itemized deductions.

For noncorporate businesses, the TCJA established a temporary 20 percent deduction that effectively reduced marginal tax rates by 20 percent. The pass-through deduction is subject to several complex limitations that restrict the benefit of the provision for high-income households.

The TCJA also introduced a limitation on excess business loss deductions for noncorporate businesses. It disallows losses that exceed income by more than $250,000 for single filers and $500,000 for joint filers. The thresholds adjust for inflation each year. The limitation was scheduled to be in effect from 2018 through 2025 but it was postponed to tax years beginning after 2020 during the coronavirus pandemic. The American Rescue Plan Act (ARPA) of 2021 then extended the limitation through 2026 and the Inflation Reduction Act (IRA) of 2022 extended the limitation through 2028.

The TCJA doubled the estate tax exemption from $5.6 million in 2017 to $11.2 million in 2018, adjusted for inflation moving forward.

For corporate businesses, the TCJA permanently reduced the corporate tax rate to 21 percent, from a previous top rate of 35 percent.[1] The TCJA temporarily enacted full expensing for most short-lived business investments, such as equipment and machinery, through a provision known as 100 percent bonus depreciation. The provision began phasing out by 20 percentage points each year after the end of 2022 and will fully expire after the end of 2026.

To offset the long-run cost of the lower corporate tax rate, the TCJA introduced requirements to amortize research and development (R&D) expenses over five years for domestic R&D and 15 years for foreign-sited R&D beginning in 2022 and limit deductibility of interest expenses initially based on earnings before interest, taxes, depreciation, and amortization (EBITDA). Since 2022, the interest limitation has become significantly tighter due to a switch from EBITDA to earnings before interest and taxes (EBIT).

R&D amortization, tighter limits on interest deductions, and the phaseout of bonus depreciation are all policies put in place by the TCJA to reduce or offset the cost of the corporate provisions.

Making the TCJA permanent thus entails restoring the individual, noncorporate, and estate tax reforms as well as 100 percent bonus depreciation, R&D expensing, and the EBITDA-based interest limitation.

Economic and Revenue Effects of TCJA Permanence

In all, making the TCJA permanent would boost long-run GDP by 1.1 percent and employment by 913,000 full-time equivalent jobs, while reducing revenue by $4.0 trillion on a conventional basis. Though TCJA permanence would be pro-growth, it would still result in significant revenue losses on a dynamic basis, amounting to $3.5 trillion over the 10-year budget window. In the long run, TCJA permanence would increase the debt-to-GDP ratio by 25.5 percentage points conventionally and 19.0 percentage points dynamically.

1 The TCJA also moved the international tax system toward a territorial one by exempting foreign profits from domestic taxation and creating anti-base erosion provisions targeted at high-return foreign profits, intangible income, and income stripped out of the United States. The four main components of the new international tax system are the participation exemption, GILTI, FDII, and BEAT, and the latter three provisions are scheduled to become more restrictive after the end of 2025. A forthcoming Tax Foundation publication will discuss international tax policy options.

Table 1. Economic and Revenue Effects of Continuing the TCJA

Long-Run GDP	+1.1%
Long-Run Capital Stock	+0.9%
Long-Run Wages	+0.3%
Long-Run Full-Time Equivalent Employment	+913,000
Conventional Revenue, 2025-2034	-$4,047.3
Dynamic Revenue, 2025-2034	-$3,466.4
Conventional Long-Run Change in Debt-to-GDP	+25.5 percentage points
Dynamic Long-Run Change in Debt-to-GDP	+19.0 percentage points

Source: Tax Foundation General Equilibrium Model, April 2024.

TCJA permanence would increase after-tax incomes across all income groups on a conventional and dynamic basis. In 2026, taxpayers would see an average increase of 2.9 percent in their after-tax incomes; the bottom quintile's increase would be slightly below the average at 2.2 percent while the top quintile would be above the average at 3.4 percent.

At the end of the budget window, the average increase in after-tax incomes would be 2.3 percent, slightly smaller because the one-time increase in revenue costs from transitioning to better cost recovery would have faded. On a dynamic basis, after-tax incomes would increase by 3.0 percent on average.

Because TCJA permanence would be a substantial tax cut, all income groups would see increases in their after-tax incomes, on average, on a conventional basis. In addition to the tax cuts, because TCJA permanence would increase economic output, taxpayers across the income spectrum would see higher pre-tax incomes on a dynamic basis under the larger economy.

Table 2. Distributional Effects of Continuing the TCJA (Percent Change in After-Tax Income)

Income Group	2026 Conventional	2034 Conventional	Long Run Dynamic
0% - 20.0%	2.2%	1.5%	2.3%
20.0% - 40.0%	2.2%	1.5%	2.3%
40.0% - 60.0%	1.9%	1.8%	2.5%
60.0% - 80.0%	2.2%	1.9%	2.6%
80.0% - 100%	3.4%	2.6%	3.3%
80.0% - 90.0%	2.1%	1.8%	2.5%
90.0% - 95.0%	2.6%	2.3%	3.1%
95.0% - 99.0%	4.4%	3.6%	4.3%
99.0% - 100%	4.8%	2.8%	3.6%
Total	**2.9%**	**2.3%**	**3.0%**

Source: Tax Foundation General Equilibrium Model, April 2024.

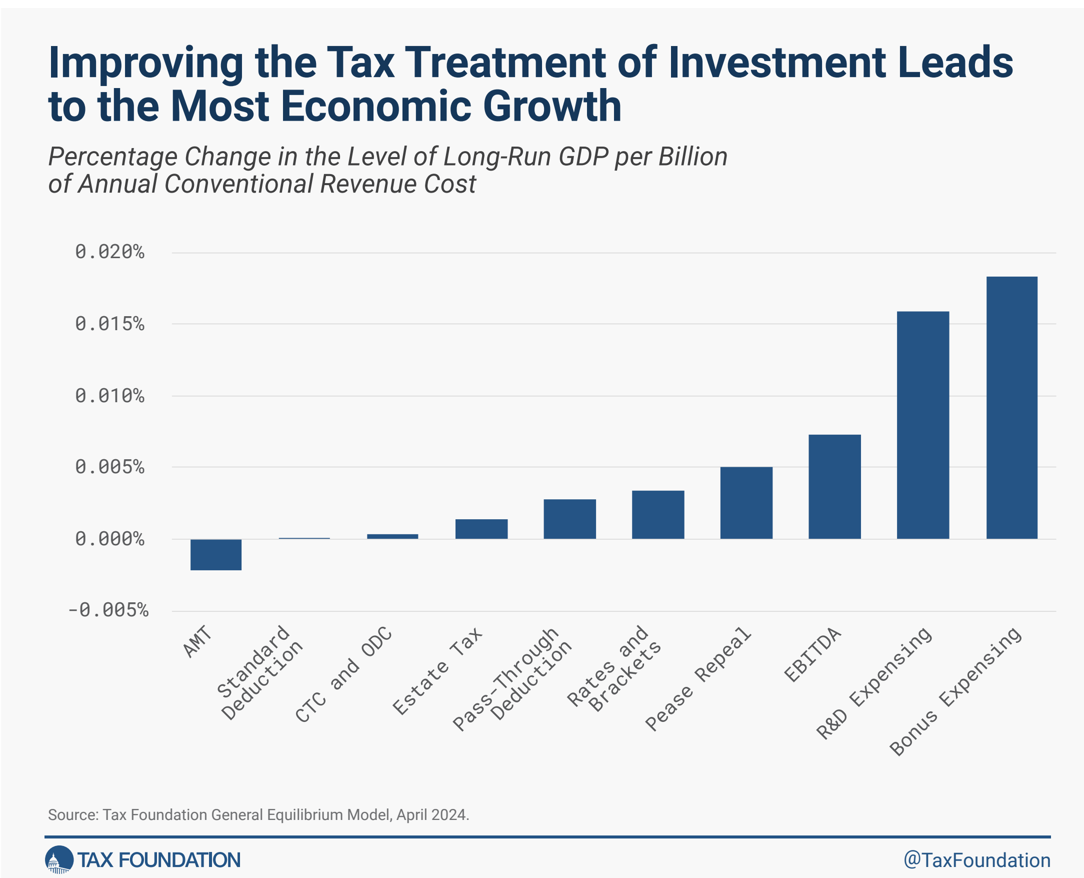
Analyzing the TCJA's Bang for the Buck

Altogether, we estimate the 10 tax cuts (lower rates and brackets, larger standard deduction, larger child tax credit and other dependent credit, the pass-through deduction, Pease limitation repeal, AMT changes, estate tax changes, EBITDA, 100 percent expensing, and R&D expensing) would reduce federal tax revenue by $7.4 trillion. The four base broadeners (SALT cap, other itemized deduction limitations, personal exemption repeal, noncorporate loss limitation) partially pay for the tax cuts by raising nearly $3.4 trillion.

Not every dollar of the $7.4 trillion in lower taxes has the same effect on economic growth or tax compliance and administration costs. The most pro-growth provision by far is permanence for 100 percent bonus depreciation, illustrating how improving investment incentives creates the most economic return for each dollar of tax revenue forgone. Indeed, recent studies have determined that the TCJA's corporate tax reforms, including lowering the corporate tax rate and providing 100 percent bonus depreciation, significantly boosted investment in the United States.[2]

Of course, economic growth is not the only metric by which to judge a tax provision. For example, the alternative minimum tax requires taxpayers to calculate their tax liability the ordinary way, then again for AMT purposes. Taxpayers must add back several ordinary tax deductions, then subtract an AMT exemption, determine whether they are subject to the phaseout of the AMT exemption, and then calculate their tax liability under the AMT rates (of 26 percent and 28 percent) and pay whichever tax is highest.

Figure 2.



2 Gabriel Chodorow-Reich, Matthew Smith, Owen Zidar, Eric Zwick, "Tax Policy and Investment in a Global Economy," National Bureau of Economic Research, March 2024, https://www.nber.org/papers/w32180.

Because the AMT rates are lower than ordinary rates, taxpayers caught up in the alternative system face lower marginal tax rates, but they also face a much higher compliance burden and potentially higher average tax rates. Past IRS estimates indicate an average compliance burden of more than 12 hours per taxpayer subject to the AMT, and the TCJA's changes reduced AMT filers from 5 million in 2017 to 244,000 in 2018.[3] Likewise, the TCJA's larger standard deduction, combined with limitations on itemized deductions, further simplified the tax system by reducing the number of filers who itemize their deductions. The Joint Committee on Taxation (JCT) estimated the number of itemized filers would decline from 46.5 million in 2017 to just over 18 million in 2018, implying nearly 30 million households would find it more advantageous to take the standard deduction.[4]

On the other hand, some tax cuts, such as the pass-through deduction and the more generous deduction for interest expenses, increase economic growth but raise other concerns regarding neutrality and simplicity. For example, the argument for including the pass-through deduction, which reduced the tax rates faced by noncorporate businesses, in the TCJA was to achieve parity with the rate reductions C corporations received. But rather than parity, estimates of effective tax rates by business type show that noncorporate businesses face lower marginal tax rates than corporate businesses, in large part due to the pass-through deduction.[5]

Limiting interest deductibility continues to be a worthwhile policy goal, as it moves the tax base closer to one on consumption and scales back the tax bias for debt over equity.

Accordingly, considerations in addition to growth, including the effects on complexity, compliance costs, and administrative costs, should guide lawmakers as they consider what to include in a tax reform package.

Alternatives for Extending the TCJA

In 2025, lawmakers will debate how to prioritize better cost recovery for business investment, lower individual rates and a broader tax base, and changes to family provisions. Tax Foundation believes a top priority should be to craft a tax reform package that prioritizes economic growth and moves the tax code toward simplicity, transparency, neutrality, and stability.

The first alternative we model, i.e., Option 1, focuses on the policies changed by the TCJA. It starts with permanence for 100 percent bonus depreciation and R&D expensing and expands better cost recovery to structures with the policy of neutral cost recovery. Neutral cost recovery would retain the current depreciation schedules for structures (27.5 years for residential real estate and 39 years for commercial real estate) but would augment the depreciation deductions with adjustments for inflation and the time value of money. In real terms, the neutral cost recovery adjustments hold companies harmless for having to wait to take deductions. Option 1 also eliminates all green energy tax credits and the newly enacted 15 percent corporate alternative minimum tax (CAMT).

3 Demian Brady, "Tax Complexity 2021: Compliance Burdens Ease for Third Year Since Tax Reform," National Taxpayers Union, Apr. 15, 2021, https://www.ntu.org/foundation/tax-page/tax-complexity-2021-compliance-burdens-ease-again-after-tcja.

4 The Joint Committee on Taxation, "Tables Related to the Federal Tax System as in Effect 2017 Through 2026," Apr. 24, 2018, https://www.jct.gov/publications.html?func=startdown&id=5093.

5 Kyle Pomerleau, "Section 199A and 'Tax Parity,'" American Enterprise Institute, Sep. 12, 2022, https://www.aei.org/research-products/report/section-199a-and-tax-parity/.

For individual income taxes, Option 1 retains the TCJA's CTC and personal exemption changes. It expands the standard deduction, reduces tax rates, and alters tax brackets, but all to a slightly smaller degree than the TCJA to reduce the revenue cost of the tax reductions.

To offset the cost of the reductions, Option 1 fully eliminates all Schedule A itemized deductions, which also significantly simplifies the structure of the tax. Building on the simplification, it fully eliminates the individual AMT. To reduce marriage penalties, it sets the head of household brackets and standard deduction equal to single filer thresholds.

Option 1 makes the TCJA's increase in the estate tax exemption permanent, switches the limitation on interest back to EBITDA but at a lower percentage (17 percent instead of 30 percent), and allows both the Section 199A pass-through deduction and non-corporate loss limitation to expire.

The second alternative we model, i.e., Option 2, incorporates all the changes from Option 1, then further broadens the individual income tax base by ending the income tax exclusion for employer-provided fringe benefits, most notably health insurance. The additional revenue from ending the exclusion offsets the cost of making the CTC fully refundable and further lowering individual income tax rates and widening brackets.

Both Option 1 and Option 2 illustrate the tough trade-offs lawmakers will face in 2025, even short of pursuing a more comprehensive overhaul of the entire tax system. The biggest challenge lawmakers will face is that while broadening the tax base reduces distortions and complexities and offsets the fiscal impact of rate reductions, it also imposes costs on the narrow groups of taxpayers currently benefiting from each provision.

Permanence for the TCJA would increase the 10-year deficit by more than $4 trillion conventionally and $3.5 trillion dynamically, before added interest costs. By contrast, Option 1 and Option 2 would reduce revenue by a much smaller magnitude on a conventional basis, by $488.5 billion and $182 billion over 10 years. On a dynamic basis, both options would be approximately revenue neutral over the budget window. And though the revenue impact between TCJA permanence and the options is markedly different, both options have a positive effect on the long-run economy. Option 1 would increase long-run GDP by 1.4 percent and Option 2 by 0.9 percent. The larger economy and revenue-neutral impact on a dynamic basis together would lead to a 1.7 percentage point reduction in the debt-to-GDP ratio over the long run under Option 1 and a very slight increase of 0.1 percentage points under Option 2, measured on a dynamic basis.

Table 3. Comparing Major Provisions of TCJA Permanence, Expiration, and Other Options in 2026

	TCJA Permanence	TCJA Expiration	Revenue-Neutral Option 1	Revenue-Neutral Option 2
Bonus Depreciation	Restored	Expired	Restored	Restored
R&D Expensing	Restored	Expired	Restored	Restored
Interest Limitation	30% EBITDA	30% EBIT	17% EBITDA	17% EBITDA
Section 199a Pass-Through Deduction	Extended	Expired	Expired	Expired
Noncorporate Loss Limitation	Extended	Expired (after 2028)	Expired (after 2028)	Expired (after 2028)
Other Business Provisions			Neutral cost recovery for structures Eliminate green energy credits (allow grandfathering for production tax credits) and CAMT	Neutral cost recovery for structures Eliminate green energy credits (allow grandfathering for production tax credits) and CAMT
Single Rates and Brackets, 2026	10% $0 12% $12,125 22% $49,450 24% $105,400 32% $201,150 35% $255,450 37% $638,650	10% $0 15% $12,125 25% $49,250 28% $119,300 33% $248,850 35% $541,000 39.6% $543,200	10% $0 12% $12,150 24% $50,000 25% $105,400 32% $201,150 35% $300,000 36% $450,000	10% $0 10% $0 20% $52,350 25% $108,550 32% $191,600 35% $255,240 36% $510,900
Joint Rates and Brackets, 2026	10% $0 12% $24,300 22% $98,900 24% $210,800 32% $402,300 35% $510,900 37% $766,350	10% $0 15% $24,250 25% $98,500 28% $198,800 33% $302,950 35% $541,000 39.6% $611,100	10% $0 12% $24,300 24% $100,000 25% $210,800 32% $402,300 35% $510,900 36% $766,350	10% $0 10% $0 20% $104,700 25% $217,100 32% $383,200 35% $485,355 36% $766,350
Other Individual Income Tax Provisions			Head of household brackets set to single	Head of household brackets set to single Fringe benefits included in taxable income
Standard Deduction, 2026	$15,300 single $23,000 head of household $30,600 joint	$8,300 single $12,150 head of household $16,600 joint	$13,750 single and head of household $27,500 joint	$13,750 single and head of household $27,500 joint
Personal Exemption, 2026	$0	$5,300	$0	$0
2026 CTC Max Phase-In 2026 Refundability Cap Phaseout	$2,000 $2,500 $1,800 inflation adjusted $200,000 single and $400,000 joint	$1,000 $3,000 No cap $75,000 single and $110,000 joint	$2,000 $2,500 $1,800 inflation adjusted $200,000 single and $400,000 joint	$2,100, inflation adjusted $2,500 No cap $200,000 single and $400,000 joint
Other Dependent Credit	$500 non-refundable other dependent credit		$500 non-refundable other dependent credit	$500 non-refundable other dependent credit
SALT	$10,000 limit	Uncapped	Eliminated	Eliminated
HMID	$750,000 principal	$1 million principal	Eliminated	Eliminated
Other Itemized Deductions	Mics. itemized deductions eliminated	Restored	All itemized deductions eliminated	All itemized deductions eliminated
TCJA AMT	Extended	Expired	Fully eliminated	Fully eliminated
Estate Tax Exemption, 2026	$14.3 million	$7 million	$14.3 million	$14.3 million

Source: Congressional Budget Office, “Tax Parameters and Effective Marginal Tax Rates”; authors’ calculations.

Table 4. Economic and Revenue Effects of Revenue-Neutral TCJA Options

	Option 1	Option 2
Long-Run GDP	1.4%	0.9%
Long-Run Capital Stock	1.6%	1.1%
Long-Run Wages	1.0%	1.0%
Long-Run Full-Time Equivalent Employment	494,000	-79,000
Conventional Revenue, 2025-2034	-$488.5 billion	-$182.0 billion
Dynamic Revenue, 2025-2034	+$5.2 billion	-$1.9 billion
Long-Run Change in Debt-to-GDP, Conventional	+5.4 percentage points	+3.9 percentage points
Long-Run Change in Debt-to-GDP, Dynamic	-1.7 percentage points	+0.1 percentage points

Source: Tax Foundation General Equilibrium Model, April 2024.

On average, after-tax income would rise for all quintiles under both options, by 0.5 percent conventionally under Option 1 and from 0.3 percent to 0.4 percent conventionally under Option 2. Under Option 1, in 2026, the 80th to 95th percentile would see a reduction in after-tax income on a conventional basis, and under Option 2, the 80th to 99th percentile would see a reduction in after-tax incomes in 2026. On a long-run dynamic basis, all groups would see increases in after-tax income by 1.6 percent on average under Option 1 and by 1.1 percent under Option 2.

Table 5. Distributional Effects of Revenue-Neutral TCJA Options (Percent Change in After-Tax Income)

	Option 1			Option 2		
	Conventional, 2026	Conventional, 2034	Dynamic, Long Run	Conventional, 2026	Conventional, 2034	Dynamic, Long Run
0% - 20.0%	1.6%	1.2%	2.3%	1.4%	1.5%	2.3%
20.0% - 40.0%	0.5%	0.1%	1.1%	0.1%	0.2%	0.9%
40.0% - 60.0%	0.3%	0.3%	1.3%	0.2%	0.5%	1.2%
60.0% - 80.0%	0.3%	0.2%	1.1%	0.4%	0.6%	1.2%
80.0% - 100%	0.6%	0.7%	1.9%	0.2%	0.2%	1.0%
80.0% - 90.0%	-0.3%	-0.3%	0.7%	Less than -0.05%	Less than +0.05%	0.7%
90.0% - 95.0%	-0.3%	-0.1%	1.0%	-0.5%	-0.5%	0.2%
95.0% - 99.0%	1.1%	1.3%	2.6%	-0.1%	Less than +0.05%	0.8%
99.0% - 100%	2.0%	1.9%	3.5%	1.4%	1.3%	2.5%
Total	0.5%	0.5%	1.6%	0.3%	0.4%	1.1%

Source: Tax Foundation General Equilibrium Model, April 2024.

Fundamental Reform Options

Even after the reforms made by the TCJA, the U.S. tax system still closely resembles a broad income tax, generally taxing a person's current earnings (whether spent or saved) plus the change in the value of their existing assets (such as dividends, capital gains, interest, etc.). By taxing income this way, the tax system places a higher tax burden on future or deferred consumption. Taxing income also requires complicated determinations on how to *define* income, which increases the complexity of the tax code and makes it harder for families to file their taxes and claim certain tax benefits.

In some cases, however, the tax system adopts provisions like retirement savings accounts for individuals and investment deductions for businesses that eliminate double taxation for specific forms of saving and investment. These provisions, however, are limited and complex.

Both options outlined above retain the general structure of the income tax, albeit with marked improvements such as better deductions for business investment and reduced (or eliminated) itemized deductions. Full cost recovery moves the business tax code closer to a consumption-based tax but it does not remove the tax bias against saving at the individual level.

A more fundamental reform would move away from the income tax system and replace it with a consumption tax system. Table 6 illustrates the economic, revenue, and distributional differences of two comprehensive reforms proposed by Tax Foundation.

The first proposal would replace the entire business income tax system with a 20 percent distributed profits tax resembling Estonia's tax system and make significant reforms to individual, capital gains, and estate taxes, including a flat rate of 20 percent on individual income to match the distributed profits tax rate.[6]

The second proposal would replace the current business and individual income tax systems with a modified value-added tax, applying a 30 percent rate to destination-based cash flow of businesses and a progressive tax ranging from 10 percent to 30 percent on household compensation.[7] Both reforms would significantly simplify the tax system, move toward a consumption tax base, and reduce tax penalties on work, saving, and investment. With changes to tax rates, either plan could be made more progressive and raise more revenue, with relatively smaller economic trade-offs because the tax base would be appropriately designed.

As lawmakers look to change the tax system in 2025, pursuing more comprehensive tax reform offers more significant economic and simplification benefits and can be done in a fiscally responsible manner. The distributed profits tax plan would substantially boost revenue within the budget window; in the long run, it would lose revenue on a conventional basis and be slightly revenue raising on a dynamic basis. The larger economy and increased tax revenue together would result in a reduction in the debt-to-GDP ratio of 9.2 percentage points over the long run, on a dynamic basis. The household compensation and busi-

6 William McBride, Huaqun Li, Garrett Watson, Alex Durante, Erica York, and Alex Muresianu, "Details and Analysis of a Tax Reform Plan for Growth and Opportunity," Tax Foundation, Jun. 29, 2023, https://taxfoundation.org/research/all/federal/growth-opportunity-us-tax-reform-plan/.

7 Erica York, Garrett Watson, Alex Durante, and Huaqun Li, "How Taxing Consumption Would Improve Long-Term Opportunity and Well-Being for Families and Children," Tax Foundation, Oct. 12, 2023, https://taxfoundation.org/research/all/federal/us-consumption-tax-vs-income-tax/.

ness profits tax would lose revenue within the 10-year budget window, but would be revenue neutral on a conventional basis and revenue raising on a dynamic basis in the long run. The plan would have a small impact on the debt-to-GDP ratio over the long run, increasing it by 1.5 percentage points.

Table 6. Economic and Revenue Effects of Selected Comprehensive Tax Reform Options

	Distributed Profits Tax Reform	Household Compensation and Business Profits Tax Reform
Long-Run GDP	+2.5%	+1.9%
Long-Run Capital Stock	+3.4%	+2.8%
Long-Run Wages	+1.4%	+1.2%
Long-Run Full-Time Equivalent Employment	1.3 million	+886,000
10-Year Conventional Revenue	+$523 billion	-$1.0 trillion
10-Year Dynamic Revenue	+$1.4 trillion	-$129.6 billion
Dynamic Long-Run Change in Debt-to-GDP	-9.2 percentage points	+1.5 percentage points

Source: Tax Foundation General Equilibrium Model, June 2023 and September 2023.

Conclusion

The upcoming expirations of the 2017 Tax Cuts and Jobs Act provide lawmakers the opportunity to build on what the TCJA did well and avoid some of its pitfalls. The TCJA boosted investment, simplified the tax filing process, and cut taxes for households across the income spectrum.

Rising deficits, debt, and interest rates should push lawmakers toward a more fiscally responsible approach than in 2017, but they must exercise caution when evaluating how to pay for tax cuts. The principles of simplicity, neutrality, stability, and transparency should guide the debate, and the end goal should be a tax code that is less harmful to economic growth and supports fiscal responsibility.

The best outcome would be a comprehensive reform of the income tax system toward a consumption tax system. Short of that, lawmakers should at a minimum aim to reduce tax preferences and broaden the tax base to offset the costs of TCJA extensions, rather than raising economically harmful taxes on corporations, international trade, or high-income individuals to pay for a continuation of TCJA policies. The goal of any tax reform should be to improve incentives for Americans to work, save, and invest, and to significantly simplify the complex process people face in complying with the current tax system.

Appendix

Appendix Table 1. Revenue Estimate for TCJA Permanence (Billions of Dollars)

Provision	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Lower Rates and Brackets	$0.0	-$241.3	-$263.0	-$272.2	-$283.9	-$295.8	-$308.2	-$319.0	-$333.8	-$351.3	-$2,668.5
Larger Standard Deduction	$0.0	-$120.4	-$129.3	-$132.4	-$137.0	-$141.3	-$145.8	-$149.8	-$152.7	-$158.8	-$1,267.5
Personal Exemption Elimination	$0.0	$194.0	$207.0	$210.2	$215.5	$221.0	$227.9	$232.7	$235.9	$245.0	$1,989.2
$2,000 CTC, Phases In at $2,500 in Earned Income, up to $1,800 Refundable (Inflation Adjusted), Phases Out at $200k/$400k, $500 ODC	$0.0	-$90.2	-$92.9	-$92.4	-$92.7	-$92.7	-$92.8	-$92.7	-$92.3	-$92.8	-$831.4
$10,000 SALT Cap	$0.0	$93.4	$100.9	$102.7	$105.6	$108.7	$111.3	$114.5	$119.0	$123.3	$979.4
$750,000 HMID Cap	$0.0	$3.3	$3.8	$4.1	$4.6	$5.0	$5.4	$5.9	$6.1	$6.5	$44.6
Eliminate Miscellaneous Itemized Deductions	$0.0	$20.9	$22.3	$22.4	$22.6	$23.0	$23.2	$23.2	$23.7	$24.1	$205.3
Pease Repeal	$0.0	-$11.2	-$11.5	-$11.6	-$11.5	-$11.5	-$11.4	-$11.0	-$11.8	-$11.9	-$103.3
Pass-Through Deduction	$0.0	-$66.5	-$71.0	-$72.2	-$74.6	-$78.0	-$81.7	-$85.9	-$81.1	-$85.5	-$696.6
Increase AMT Exemption and Phaseout Threshold	$0.0	-$101.4	-$109.4	-$111.7	-$115.1	-$118.5	-$122.5	-$128.1	-$126.5	-$130.9	-$1,064.1
R&D Expensing	$0.0	-$51.7	-$36.4	-$26.1	-$17.0	-$9.0	-$5.1	-$5.3	-$5.6	-$5.7	-$161.9
100 Percent Bonus Depreciation	$0.0	-$72.7	-$70.6	-$55.9	-$46.2	-$36.0	-$29.3	-$23.8	-$24.6	-$20.2	-$379.3
EBITDA Interest Limitation	$0.0	-$5.2	-$4.4	-$5.2	-$6.2	-$7.1	-$7.9	-$8.8	-$9.3	-$9.6	-$63.8
Noncorporate Loss Limitation	$0.0	$0.0	$0.0	$0.0	$21.8	$29.5	$30.1	$30.8	$31.4	$32.6	$176.2
Increase Estate Tax Exclusion	$0.0	-$13.7	-$19.5	-$20.8	-$21.7	-$23.0	-$24.4	-$25.7	-$27.5	-$29.2	-$205.6
Conventional Total	**$0.0**	**-$462.7**	**-$474.0**	**-$461.0**	**-$436.0**	**-$425.8**	**-$431.0**	**-$443.2**	**-$449.2**	**-$464.3**	**-$4,047.3**
Dynamic Total	**$0.0**	**-$410.5**	**-$417.0**	**-$400.6**	**-$373.5**	**-$362.7**	**-$364.4**	**-$373.7**	**-$376.2**	**-$387.9**	**-$3,466.4**

Source: Tax Foundation General Equilibrium Model, April 2024.

Appendix Table 2. Revenue Estimate for Option 1 (Billions of Dollars)

Provision	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Lower Rates and Brackets	$0.0	-$208.8	-$226.9	-$234.0	-$242.9	-$252.7	-$262.0	-$270.1	-$283.7	-$297.4	-$2,278.5
Larger Standard Deduction	$0.0	-$83.3	-$90.1	-$92.7	-$94.6	-$98.1	-$100.7	-$103.9	-$105.6	-$109.3	-$878.3
Personal Exemption Elimination	$0.0	$214.0	$227.8	$231.1	$237.1	$242.7	$250.4	$255.2	$258.6	$268.6	$2,185.5
$2,000 CTC, Phases In at $2,500 in Earned Income, up to $1,800 Refundable (Inflation Adjusted), Phases Out at $200k/$400k, $500 ODC	$0.0	-$92.4	-$95.1	-$94.4	-$94.5	-$94.4	-$94.3	-$94.0	-$93.5	-$93.8	-$846.4
Eliminate Itemized Deductions and Pease Limitation	$0.0	$234.8	$248.5	$249.7	$253.7	$257.1	$260.6	$264.3	$268.0	$274.0	$2,310.5
Adjust Head of Household Thresholds	$0.0	$14.8	$16.2	$16.8	$17.6	$18.4	$19.2	$20.2	$20.7	$21.8	$165.7
Eliminate the AMT	$0.0	-$101.5	-$109.6	-$112.0	-$115.5	-$119.1	-$123.1	-$128.6	-$127.7	-$132.2	-$1,069.3
Increase Estate Tax Exclusion	$0.0	-$13.7	-$19.5	-$20.8	-$21.7	-$23.0	-$24.4	-$25.7	-$27.5	-$29.2	-$205.6
Total Business Tax Reforms (17% EBITDA, R&D Expensing, 100% Bonus Depreciation, NCRS for Structures, Eliminate CAMT, Eliminate Green Energy Tax Credits)	$57.6	-$51.8	-$21.3	$3.2	$26.8	$38.9	$39.2	$29.6	$13.9	-$8.2	$127.8
Conventional Total	**$57.6**	**-$88.0**	**-$70.2**	**-$53.2**	**-$34.1**	**-$30.2**	**-$35.1**	**-$53.0**	**-$76.8**	**-$105.6**	**-$488.5**
Dynamic Total	**$57.6**	**-$61.6**	**-$35.3**	**-$11.5**	**$13.8**	**$25.0**	**$27.0**	**$13.7**	**-$0.9**	**-$23.2**	**$4.5**

Note: We use the FY 2025 Tax Expenditure Estimates from the Department of Treasury to estimate the cost of the green energy credits, allowing for grandfathering of production tax credits.
Source: Tax Foundation General Equilibrium Model, April 2024.

Appendix Table 3. Revenue Estimate for Option 2 (Billions of Dollars)

Provisions	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Lower Rates and Brackets	$0.0	-$382.5	-$416.2	-$429.5	-$446.8	-$465.3	-$483.3	-$499.9	-$519.6	-$544.8	-$4,187.8
Larger Standard Deduction	$0.0	-$81.4	-$88.1	-$90.8	-$93.0	-$96.7	-$99.4	-$102.9	-$104.6	-$108.5	-$865.4
Personal Exemption Elimination	$0.0	$178.2	$190.0	$193.2	$198.4	$203.4	$210.2	$214.6	$217.9	$226.6	$1,832.5
$2,000 CTC (Inflation Adjusted), Phases In at $2,500 in Earned Income, Phases Out at $200k/$400k, $500 ODC	$0.0	-$97.5	-$100.3	-$105.8	-$106.0	-$112.1	-$112.1	-$117.9	-$117.3	-$123.7	-$992.5
Eliminate Itemized Deductions	$0.0	$220.6	$233.5	$234.7	$238.6	$241.9	$245.4	$248.8	$252.7	$258.3	$2,174.6
Adjust Head of Household Thresholds	$0.0	$28.4	$30.8	$31.6	$33.0	$34.4	$35.6	$37.1	$38.0	$39.8	$308.7
Eliminate the AMT	$0.0	-$131.4	-$141.2	-$143.7	-$147.6	-$151.7	-$156.2	-$162.6	-$161.0	-$166.2	-$1,361.6
Eliminate the Exclusion for Fringe Benefits	$0.0	$283.1	$304.7	$311.2	$321.5	$331.7	$342.0	$352.6	$362.1	$376.4	$2,985.3
Increase Estate Tax Exclusion	$0.0	-$13.7	-$19.5	-$20.8	-$21.7	-$23.0	-$24.4	-$25.7	-$27.5	-$29.2	-$205.6
Total Business Tax Reforms (17% EBITDA, R&D Expensing, 100% Bonus Depreciation, NCRS for Structures, Eliminate CAMT, Eliminate Green Energy Tax Credits)	$57.6	-$51.2	-$21.0	$3.5	$26.9	$39.0	$39.3	$29.8	$13.8	-$8.0	$129.7
Conventional Total	**$57.6**	**-$47.2**	**-$27.2**	**-$16.4**	**$3.4**	**$1.6**	**-$2.8**	**-$26.1**	**-$45.6**	**-$79.4**	**-$182.0**
Dynamic Total	**$57.6**	**-$46.7**	**-$21.6**	**-$5.4**	**$19.2**	**$22.0**	**$21.5**	**$1.9**	**-$10.4**	**-$40.1**	**-$1.9**

Note: We use the FY 2025 Tax Expenditure Estimates from the Department of Treasury to estimate the cost of the green energy credits, allowing for grandfathering of production tax credits.

Source: Tax Foundation General Equilibrium Model, April 2024.

Miller's Supply Chains Tax Team Hosts Roundtable, Tours Oil and Gas Rig

July 26, 2024 | Press Release

Click **here** for photos

Washington, D.C. – Yesterday, Congresswoman Miller (R-WV), Chairwoman of the Supply Chains Tax Team, hosted a roundtable in southern Ohio with the American Exploration and Production Council (AXPC) members and stakeholders. The tax team also toured an Ascent Resources oil and natural gas rig. Joining Congresswoman Miller were Representatives Michelle Fischbach (R-MN) and Randy Feenstra (R-IA).

“I had a wonderful time visiting the Ascent Resources oil and natural gas rig in Ohio with my tax team to see and discuss oil and gas extraction. Both Ohio and West Virginia are full of invaluable energy sources, that’s why it’s our goal to rely on our own sources found here in the United States to keep our country energy independent. We must also protect intangible drilling costs and percentage depletion to create more opportunities to drill for oil and gas in the United States which will produce additional jobs, promote investment, and strengthen our national economy,” ***said Congresswoman Miller.***

“I was excited to join my fellow Supply Chains Tax Team members in Ohio. We took a tour to see for ourselves just how complex oil and natural gas production really is. We also had a productive roundtable discussion on the importance of domestic fuel production for our economy and our national security. I am committed to American energy independence. I enjoyed hearing the industry perspective regarding what Congress can do, specifically regarding tax policy, to support our fuel production industries and lower energy costs for consumers," ***said Congresswoman Fischbach.***

“Following our recent trip to Southwest Virginia, I enjoyed touring an oil rig in Ohio to see the unlimited potential of American energy production. We had a firsthand look at the intricacy of oil extraction and its importance to our economy. American energy production strengthens our economy, supports good jobs, and protects our national security. As a member of the Supply Chains Tax Team, I will continue to work with my colleagues to support homegrown American energy like oil, gas, and Iowa biofuels,” ***said Congressman Feenstra.***

"The House Ways & Means Supply Chains Tax Team, led by Chairwoman Carol Miller, should be commended for their work to gain first-hand experience on the crucial role American-made energy plays for our country's well-being. They understand that our nation is stronger, and the world is safer when America is the leader in energy production, and that responsible tax and fiscal policies are integral to achieving and expanding American energy dominance," ***said AXPC CEO Anne Bradbury.***

Congresswoman Miller at the roundtable

Congresswoman Miller touring the oil and natural gas rig

Background:

- The Ways and Means Tax Team was created to investigate the success of President Trump's Tax Cuts in 2017 and find places where improvements could be made during the reauthorization in 2025. Specifically, Congresswoman Miller's Supply Chains Tax Team focuses on energy tax incentives, the corporate rate, and capital gains tax.
- Congresswoman Miller and her tax team hosted a roundtable with CNX and stakeholders in Virginia back in early July where they toured CNX's Mine Methane Capture Facility and discussed how capturing waste methane can benefit U.S. energy security.
- Intangible drilling costs (IDCs) lead to the addition of jobs by granting access to oil and natural gas companies to immediately deduct the expenses of intangible assets in a timely manner to allow resources to be used to reinvest in future projects.
- Percentage depletion is a tax deduction for businesses which extract fossil fuels and minerals to reflect the declining production of these reserves' resources.

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Five Things to Know about Trump's Tariff and Income Tax Proposals

June 18, 20248 min read
By: **Erica York**

Last week, former President Trump took his affinity for tariffs much further, floating the possibility of entirely replacing the federal income tax with new tariffs. He also raised other ideas like eliminating taxes on tipped income and lowering the corporate tax rate by one percentage point. Rather than constituting a fiscally responsible and coherent tax reform plan to boost growth and competitiveness, the latest ideas lack seriousness and merit. If pursued, they would fall well short of fundamental tax reform while hurting American workers and businesses. Here are five things to know about Trump's tax and tariff ideas.

1. The Math Doesn't Work

The individual income tax raises more than 27 times as much revenue as tariffs currently do, but it's not the gap in revenue levels that makes replacement impossible. The bigger issue is the relative size of the tax base. The most recent Internal Revenue Service data for tax year 2021 shows American taxpayers reporting almost $15 trillion of individual income while paying $2.2 trillion of taxes, for an average tax rate of 14.9 percent. Total imports in 2021 were $3.4 trillion, but that includes services that are not subject to tariffs. Looking at goods alone, imports totaled $2.8 trillion in 2021, while tariff revenues were $80 billion, for an average tax rate of 2.9 percent.

To replace the roughly $2 trillion of revenue raised by the individual income tax with tariffs would require astronomically high tariff rates.

For instance, an across-the-board tariff hike of 69.9 percent on the level of goods imports from 2023 ($3.1 trillion) *seems* like it could fully replace individual income tax revenues. But that calculation is a significant understatement. It fails to account for several factors that would reduce how much revenue the tariff would raise, including noncompliance and the behavioral response of people reducing how much they import.

- Assuming 15 percent noncompliance, revenue from a 69.9 percent tariff falls to $1.8 trillion
- Assuming an elasticity of -0.997 percent, revenue drops to about $560 billion (imports drop by slightly less than 1 percent for a 1 percent price increase)

Replacing the individual income tax with tariffs is thus completely unrealistic—and the above illustration doesn't even account for additional factors that would further reduce the revenue raised, like holding the price level constant (which requires the calculation to use the inclusive tax rate), tax offsets, and the negative economic effect of higher tariffs.

2. Tariffs Were a Main Source of Revenue for a Drastically Smaller Government

Former President Trump has pointed to the tariff in American history as a motivation for his idea, but the federal government of a century ago is much different from the federal government of today—as is the American economy. Economists Chad Bown and Douglas Irwin have previously explained that tariffs have not been a main source of federal revenue since 1914, and it would be impossible to rely on tariffs for current spending levels.

Back when tariffs were a main source of government revenue, federal government spending was a very small fraction of GDP, barely exceeding 2 percent of GDP in total. As Bown and Irwin show, government spending now is drastically larger. In 2023, the federal government spent 22.7 percent of GDP—about 10 times as much government spending as a share of the economy than when tariffs were a primary revenue source.

Across four major categories alone, 2023 spending accounted for more than 14 percent of GDP (5 percent on Social Security, 3.7 percent on Medicare, 3.3 percent on defense, and 2.4 percent on net interest on the federal debt). Meanwhile, imports comprised about 11.4 percent of GDP—taxing imports at 100 percent would not raise sufficient revenue to pay for major programs alone and would significantly shrink the intended tax base.

3. Higher Tariffs Would Raise Costs for Americans

Tariffs clearly cannot replace the revenue raised by the income tax, but some may still think that higher tariffs should be pursued even if the purpose is not full revenue replacement. Often, the idea that we need higher tariffs is based on misunderstandings about how tariffs work and their impact on jobs and production. Trump's calls for a 10 percent universal tariff, a 60 percent tariff on China, and a 200 percent tariff on electric vehicles fall prey to these misunderstandings.

When the U.S. imposes a tariff, the person or business that imports the good is responsible for paying the tariff—not a foreign country or a foreign business. Depending on different factors, different people in the economy could bear the ultimate economic burden of a tariff. For example, suppose the U.S. places a tariff on dinnerware. If a U.S. retailer imports dinnerware, it must physically make the payment for the 25 percent import tariff on the plates it purchases. But the burden could fall elsewhere. If the foreign seller lowers its own prices to offset some of the tariff cost, it bears part of the burden. If the U.S. retailer raises its own prices, the people who buy plates and bowls from the store bear the tariff burden.

Recent studies on U.S. tariffs have found near 100 percent pass-through of the 2018-2019 trade war tariffs to U.S. importers. That means foreigners have not, directly or indirectly, paid U.S. tariffs—instead, the billions in import taxes raised by the U.S. government have been paid by U.S. businesses and consumers. The economic evidence leaves no dispute that even higher tariffs would further increase costs for American consumers and businesses.

4. Higher Tariffs Would Harm American Workers and Businesses

Even though tariffs cause higher prices for businesses and retail consumers, policymakers might argue that tariffs are worth it because they benefit some sectors of the economy enough to outweigh the harm of higher prices. That sentiment is mistaken. Tariffs have a net negative impact on the economy, which can happen through different channels:

- One possibility is a tariff may be passed on to producers and consumers in the form of higher prices. Whether the cost of parts and materials rises (reducing private sector output) or final consumer prices rise (reducing the after-tax value of both labor and capital income), the ultimate effect is to reduce the return to labor and capital, incentivizing Americans to work and invest *less*, leading to *lower* output on net.
- Alternatively, the U.S. dollar may appreciate in response to tariffs, offsetting the potential price increase for U.S. consumers. The more valuable dollar, however, would make it more difficult for exporters to sell their goods on the global market, resulting in lower revenues for exporters. This would also result in lower U.S. output and incomes for both workers and owners of capital, reducing incentives for work and investment and leading to a smaller economy.

Academic and governmental studies have confirmed the overall damage tariffs cause to the American economy. For example, Federal Reserve economists Aaron Flaaen and Justin Pierce estimated the effects of the 2018-2019 tariffs on the U.S. manufacturing sector accounting for both the benefits of tariffs to protected companies and the costs of tariffs to companies that faced higher input prices or other distortions. On net, they found a *decrease* in manufacturing employment due to the tariffs: the positive contribution from protected industries was significantly outweighed by the effects of rising input costs and by retaliatory tariffs.

Trump's proposed tariff hikes would bring higher costs that disadvantage American companies competing abroad and reduce the after-tax income of households, invite foreign retaliation that further erodes the competitiveness of U.S. producers, and distort work and investment decisions to the detriment of the entire economy. In effect, tariffs would redistribute income from American consumers and downstream industries toward protected industries, making us all worse off.

5. Tariffs and Income Tax Exclusions Are Not Tax Reforms

Tax policy changes should aim to boost growth and competitiveness. Fundamental reform efforts to transform the U.S. income tax system to a flatter consumption tax system in that vein should be applauded. Unfortunately, Trump's tariff and tax proposals are a far cry from that.

On the tax front, Trump's recent ideas include excluding tip income from taxation entirely and lowering the corporate income tax rate by one percentage point.

Reducing the burden of the individual income tax can be part of a fundamental tax reform, but exempting a specific category of income is not a principled approach. Doing so would invite significant gaming to take advantage of the exemption and create distortions across households with similar levels but different types of earnings. IRS data from 2018 shows about 6.1 million taxpayers had reportable tip income with an average amount of $6,249 per taxpayer ($38.3 billion in total). While tipped income represents a relatively small slice of total income, it would reduce revenue by billions annually while worsening the structure of the tax code. Carveouts for certain sectors or types of workers is not a principled way to reduce tax burdens.

Contrastingly, a lower corporate income tax rate is a principled way to improve investment incentives and boost international competitiveness. However, reducing the rate by one percentage point would not outweigh the significant damage caused by tariff hikes and the resulting retaliation from foreign governments. The goal of revenue-neutral tax reform is not to replace one distortionary tax with another, but to reduce the overall distortionary effect of the tax system on both the tax cut and the tax offset sides.

Policymakers drawn to Trump's tariff and tax ideas should go back to the drawing board. Otherwise, they might squelch the opportunity for fundamental tax reform by pursuing unprincipled, economically harmful, and nonsensical ideas.

Trump's Tax and Tariff Ideas: Details & Analysis

July 10, 20246 min read
By: **Erica York**

Former President Donald Trump has not released a fully detailed tax plan as part of his current bid for reelection, but he has floated several tax policy ideas. Among the various ideas, he has made it clear he seeks to extend the expiring 2017 Tax Cuts and Jobs Act (TCJA) changes, further reduce the corporate income tax rate, impose a 10 percent or higher universal baseline tariff on all imports, and lift current tariffs on China to at least 60 percent. He has also discussed a host of other tariff increases and additional tax cuts, which we do not model due to lack of detail.

We estimate that if the two major tariff increases are implemented and met with in-kind retaliation from all trading partners, it would more than offset the entire benefit of the major tax cuts for economic output and jobs, resulting in a net loss for the US economy.

Where Do the Candidates Stand on Taxes?

Tax policy has become a significant focus of the US 2024 presidential election.
COMPARE 2024 TAX PLANS

Modeling the Major Trump Tax Proposals

Using the Tax Foundation's Taxes and Growth model, we estimate the five major tax changes proposed by Trump would reduce US output by 0.1 percent, employment by 121,000 full-time equivalent jobs, and federal revenue by $1.7 trillion on a conventional basis and by $1.6 trillion on a dynamic basis. The capital stock and wages would be slightly larger, as the lower tax burden on business investment would not be entirely offset by tariffs. American incomes, as measured by GNP, would be 0.4 percent lower, as the increased budget deficit and national debt would require higher interest payments to foreigners.

While the major tax provisions would be pro-growth, a global trade war would threaten to undermine all the potential growth from better tax policy.

We estimate making the TCJA permanent and further reducing the corporate income tax rate would be pro-growth, boosting long-run GDP by 1.2 percent, the capital stock by 1.1 percent, wages by 0.4 percent, and employment by 926,000 full-time equivalent jobs.

The tax cuts would decrease federal tax revenue by $4.3 trillion on a conventional basis and by $3.6 on a dynamic basis. That reduction in revenue would come over a decade when the federal government is already projected to run deficits totaling $22 trillion.

Accordingly, a deficit-financed extension of the TCJA, plus additional deficit-financed tax cuts, would not be fiscally responsible. Finding offsets, whether reductions in spending or tax increases elsewhere, will entail tough but necessary trade-offs.

Those trade-offs, however, do not mean that pro-growth tax reform is out of reach. If policymakers focus on the *least distortionary* offsets to pay for the *most pro-growth tax changes*, it is absolutely possible to craft a pro-growth and fiscally responsible tax reform package.

Unfortunately, Trump has proposed a *highly distortionary* way to raise additional tax revenue through worldwide tariffs.

We estimate the proposed tariffs would reduce long-run GDP by 0.8 percent, the capital stock by 0.6 percent, and hours worked by 685,000 full-time equivalent jobs. In other words, the new tariffs alone—absent foreign retaliation—would threaten more than two-thirds of the increased output from the tax cuts (69 percent), while covering less than two-thirds of the cost (60 percent). Tariffs have no impact on pre-tax wages in our estimates because, in the long run, the capital stock shrinks in proportion to the reduction in hours worked. The capital-to-labor ratio, and thus the level of pre-tax wages, remains unchanged.

We estimate the US-imposed tariffs would increase revenue by nearly $2.6 trillion over the 10-year budget window. Our revenue estimates include noncompliance and changes in the level of imports based on a price elasticity of imports of -0.997, both of which reduce the tax base, and offsets for income and payroll taxes, which reduce the overall revenue raised from higher tariffs.

If the tariffs are met with in-kind retaliation, matching the increases on all goods exports plus additional tariffs on goods exports to China, we estimate they would reduce US GDP by an additional 0.4 percent in the long run while raising no additional revenue for the US government. Because foreign retaliation would reduce US output and incomes, it would lead to a drop in tax revenues on a dynamic basis.

While Trump's proposals would cut taxes overall, they would raise revenue in a more distortive way, resulting in a smaller economy with fewer jobs. Further, the increase in the budget deficit would lead to higher interest payments made to foreigners, resulting in a reduction in American income (GNP) of 0.4 percent.

Trump has discussed other, smaller tax policies as part of his campaign, but due to the lack of details and small magnitude of the proposals, we exclude them from our revenue and macroeconomic estimates. For instance, he has proposed excluding tips from taxation, but whether that would include income and payroll taxes, or just income taxes, has not been specified. If the exclusion was just for income taxes, we estimate a lower bound for the revenue reduction would be about $107 billion from 2025 through 2034. Such a policy has no clear rationale and would worsen distortions in the tax code, providing a carveout for one industry and type of labor compensation but not others.

The major policies outlined by Trump would reduce distortions in one part of the tax system only to replace them with new distortions in another part of the tax system, which risks shrinking the economy and growing the debt. If anything, our modeling likely understates the potential downsides of a global trade war, as the tariffs may threaten the broader economic benefits of a globalized economy.

Where Does Kamala Harris Stand on Taxes?

July 24, 20246 min read
By: **Erica York**, **Garrett Watson**

Vice President and presumptive Democratic presidential nominee Kamala Harris has a record of favoring steeper tax hikes on businesses and people than President Biden. While both President Biden and Vice President Harris aim their proposed tax hikes on businesses and high earners, key differences between their tax ideas in the past reveal where Harris may take her tax policy platform in the 2024 campaign.
Three questions stand out: (1) will Harris double down on more aggressive tax increases than President Biden, (2) is Harris open to stepping away from Biden's $400,000 tax pledge, and (3) how would a President Harris approach the Trump-Biden tariffs levied on China and other trading partners? Additionally, Harris should clarify how she would address the upcoming expirations of the 2017 Tax Cuts and Jobs Act (TCJA) and the unsustainable trajectory of the federal debt.

What Has VP Harris Proposed in the Past?

In her 2020 campaign and as a senator from California, Harris proposed multiple changes to the tax code, including:

- Raising the top marginal income tax rate on the top 1 percent to 39.6 percent
- Implementing a 4 percent "income-based premium" on households making more than $100,000 annually to pay for her version of "Medicare for All"
- Creating a $3,000 refundable tax credit ($6,000 for married couples filing jointly) (the LIFT Act) for low- and middle-income taxpayers
- Raising capital gains tax rates to ordinary income tax rates, though it is unclear if Harris would do so only on a subset of taxpayers
- Raising the corporate income tax rate of 21 percent up to 35 percent
- Expanding the estate tax
- Imposing a financial transaction tax (FTT) on stock trades at 0.2 percent, bond trades at 0.1 percent, and derivative transactions at 0.002 percent
- Providing $2,000 per person per month for pandemic relief in mid-2020; totaling about $21 trillion, hers was one of the largest aid proposals, far surpassing what was eventually passed into law in December 2020
- Creating a tax credit for rent payments made by renters who earn less than $100,000 and spend over 30 percent of their income on rent and utilities

How Do Her Past Proposals Compare to the Biden-Harris Administration?

Though Harris's campaign proposals often lacked detail, they shared similarities with the policies included in the fiscal year 2025 budget proposed by the Biden-Harris administration:

- Raising the top income tax rate on the top 1 percent of earners from 37 percent to 39.6 percent
- Increasing the corporate income tax rate
- Taxing capital gains and dividends at ordinary income tax rates

- Increasing refundable tax credits for individuals

In many areas, however, Harris' proposals differ in details and scope:

- Harris proposed returning to a 35 percent corporate tax rate, while the FY 2025 budget would take it to 28 percent.
- Harris did not clarify if ordinary tax rates on capital gains would apply to all earners or just a subset, while the FY 2025 budget would do so only for people making $1 million or more.
- Harris supported a version of Medicare for All, financed by a proposed 4 percent tax on incomes above $100,000. Biden has avoided a Medicare for All-style proposal and taxing those earning less than $400,000 during his campaign and administration.
- Harris proposed the LIFT the Middle-Class Act, a new refundable tax credit structured like the earned income tax credit that phases in with earned income, while the FY 2025 budget focuses on expanding the child tax credit and making it fully refundable on a permanent basis.
- Harris proposed an financial transaction tax on certain Wall Street trades, including stocks, bonds, and derivatives, while the FY 2025 budget includes no such proposal.
- Harris was silent on changes to the international tax system, while the FY 2025 budget proposes a significant overhaul. Additionally, the FY 2025 budget includes a novel minimum tax on high-wealth individuals designed to bring unrealized capital gains into the income tax system.
- As a senator, Harris voted against the 2017 TCJA, while the FY 2025 budget indicates an extension of the expiring TCJA provisions for people earning under $400,000 without specifying exactly how that would be structured or how the revenue loss would be offset.

In all, Tax Foundation estimates the major tax increase proposals in the Biden-Harris FY 2025 budget would reduce economic output by 1.6 percent and employment by 666,000 full-time jobs. If Harris took the tax increases further, as she has supported in the past, the economic losses would be even larger.

What about the $400,000 Pledge?

President Biden has consistently pledged that he would not raise taxes on households earning under $400,000, which dates to his 2020 campaign. The pledge heavily guided the design of Biden's tax proposals in his annual budgets, the Build Back Better Act in Congress, and the Inflation Reduction Act (IRA) signed into law in 2022.

While Harris has made supportive comments about the $400,000 pledge as running mate and Vice President, her elevation to Democratic nominee is an opportunity to rethink the tax pledge.

The pledge has several tax policy weaknesses. First, it sharply reduces policymakers' available options to reform the tax code and raise offsets, as it limits tax increases to about 2 percent of the population. Second, the pledge increases the complexity of the tax code by requiring policymakers to design ideas around not increasing taxes on most households.

Third, key details of the pledge remain unanswered and inconsistent, such as the lack of adjustment for inflation—the pledge's threshold would stand at about $481,000 today if indexed since 2020—and ambiguity about how the pledge applies to households with different filing statuses. Corporate tax increase proposals were arbitrarily excluded from the pledge, relying on a naive focus on statutory tax incidence (who directly pays the tax bill) over economic incidence (the corporate tax ultimately falls on workers and shareholders, many of whom earn less than $400,000).

By jettisoning the tax pledge, Harris could consider broader policy options that are more consistent with sound tax policy, such as eliminating tax expenditures to offset pro-growth tax changes related to the 2025 individual tax expirations. In addition to opening options for a more rational tax policy, stepping away from the pledge would increase honesty with the American public that policy changes to rectify our inefficient tax code and dire spending situation will require alterations beyond the top 2 percent of income earners.

What about the Trade War?

Former President Trump instigated a trade war by imposing about $80 billion of tariffs on imports of washing machines, solar panels, steel, aluminum, and billions of dollars' worth of consumer, intermediate, and capital goods from China.

While the Biden-Harris administration has retained most of the trade war tariffs, and proposed increases of its own, Harris has in the past demonstrated a better understanding of the downsides of tariffs, proclaiming she is not a "protectionist Democrat" and railing against "Trump's trade tax" that was "taxing American consumers."

We estimate the current trade war tariffs will reduce long-run GDP by 0.2 percent and eliminate 142,000 full-time jobs. Numerous academic studies have quantified the costs and benefits of the tariffs for the US economy, reaching the conclusion that on net, the tariffs have decreased US production and jobs and increased costs for consumers and businesses.

As the new nominee, Harris would have the opportunity to lift the tariffs, reducing the economic drag they are currently imposing and boosting after-tax incomes for lower- and middle-income households enduring most of the tariff burden.

Conclusion

As a US senator and 2020 presidential candidate, Harris supported steeper tax hikes and more aggressive redistribution through the tax code than President Biden. At the same time, she also has a record of departing from Biden's $400,000 tax pledge and Trump's tariffs. Her past tax policy stances raise the question of whether, and how far, she might depart from the policies of the Biden-Harris administration.

LNG Exports

Administration’s LNG Export Pause Sits Aside the Election

What’s happening?

- Admin announced a pause on LNG export decisions to non-FTA countries
- Agency officials claim the pause is “temporary” and “will end within a year”
- Intel suggests updated analysis to be released this summer
- In July, federal court enjoined the pause

POLITICOPRO
Granholm says LNG pause will end within a year

The comments in Houston mark the first time the Energy secretary has publicly firmed up timing for the pause announced in late January.

Reuters **US judge halts Biden administration's pause on LNG permits**

What does it mean?

- Pause is politically-driven but with policy impact
- Federal court’s decision to block the pause has no material effect
- Near- and long-term effects are real without any indication of progress before November

What are we doing?

- Reinforce politicization of LNG export pause
- Emphasize domestic and international consequences from local economies to geopolitical destabilization
- Prepare for coalition response to updated analysis

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Congressional Engagement to Maintain Scrutiny and Lay the Foundation for a 2025 Solution

Leverage bipartisan support for H.R. 7176

- Passed House 224-220 with 9 Democrats
- Removes DOE jurisdiction from LNG export decisions

Build from House appropriations success

- Subcommittee bill codified as H.R. 7176 policy rider

Maintain through post-August messaging bills and hearings

- House Republicans planning for “anti-China” and “anti-woke” theme weeks

Elevate new moderate Democrat allies

- Frontliners in rural, blue-collar districts who are increasingly opposed to Admin policies

Drive narrative through political campaigns

- Active political programs in MT, OH, and PA Senate races
- Political outreach across House campaigns

AXPC

Strategic Communications to Reaffirm the Policy Malpractice of a Political Decision

U.S. Natural Gas Is Essential for Global Security

COMMENTARY

By Vicente Gonzalez Jr. & Martin Frost

Biden Rallied the World at the G7, He Has More Arrows to Use Against Russia

COMMENTARY

July 11, 2024 by Joel Rubin, National Security & Foreign Policy Expert

So to help Ukraine win this war, and to support our allies in the process, the Biden administration should reconsider the temporary pause on new LNG export licenses in the context of Ukraine. Doing so will provide Europe with energy security while cutting deep into the coffers of Russia’s expansionist agenda.

LNG Exports Could Be a Boon for Climate and Security

If only the Biden administration can put good policy above the word of green activists and TikTok influencers.

Russia overtook US as gas supplier to Europe in May

Rise in market share highlights difficulty of weaning the region off Russian energy

Rep. Guy Reschenthaler (R-PA) told Breitbart News that President Joe Biden’s “war on American energy” has harmed Biden’s own goal of ending European dependence on Russian energy.

“The assertion from this administration that Biden’s LNG ban would have no impact on our trading partners is blatantly dishonest,” Republican Texas Rep. August Pfluger said in a statement shared with the Daily Caller News Foundation. “As U.S. players have been forced to withdraw on the global stage, Russia has filled the gap—making billions for Putin’s war machine in the process. President Biden’s LNG export ban must be lifted immediately to allow U.S. energy to flow to our allies.”

Ted Cruz
@tedcruz

Russia overtook the U.S. as the leading supplier of natural gas to Europe.

Joe Biden’s decision to pause permits for natural gas export terminals in America has had disastrous national security and economic consequences for our country.

Dave McCormick
@DaveMcCormickPA

Biden’s LNG pause weakens our country while strengthening adversaries like Russia on the world stage.

FINANCIAL TIMES

Russia overtook US as gas supplier to Europe in May

Rep. Stephanie Bice (R-OK) responded to the development by telling The Daily Wire in a statement: “The Biden Administration’s decision to pause approvals for new LNG export terminals has once again forced Europe into the pockets of Putin.”

“His decisions not only counter his climate goals, since Russian natural gas is 41% dirtier than American, but harms our domestic producers,” she added. “When it comes to Russia, Biden talks the talk, but his actions are doing nothing but supporting Putin.”

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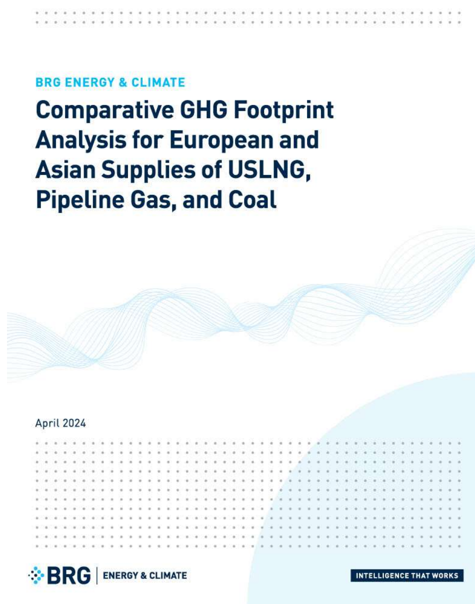
Third-Party Research Demonstrates the Real-World Impact in Emissions Reductions for U.S. LNG

Findings

- Carbon footprint of U.S. LNG was ~50% of coal in every market assessed
- Carbon footprint of U.S. LNG was lower than Russian gas in every market assessed
- If U.S. LNG replaced coal-generated power in every market assessed for 1 year, it would save the emissions equivalent of 153 – 397 MM cars (170,000 – 440,000 kilotons of CO_2e)

Conclusions

- "The comparison between the average GHG emissions intensity of U.S. LNG imports and coal supplies for power generation in the 13 European and Asian countries analyzed **demonstrates the climate advantage of using U.S. LNG instead of coal in the leading foreign markets for U.S. LNG**."


BRG ENERGY & CLIMATE

Comparative GHG Footprint Analysis for European and Asian Supplies of USLNG, Pipeline Gas, and Coal

April 2024

BRG | ENERGY & CLIMATE

INTELLIGENCE THAT WORKS

AXPC

Stakeholder Activation to Influence and Mitigate the Updated Analysis

Objective	
Elevate LNG export pause as a high-impact issue for November and build diverse, coalition support to engage and mitigate updated analysis	
Tactics	
• Political engagement and amplification • Expanded congressional support • Member-company engagements	• Coalitions and third parties (e.g., labor unions) • Third-party research
Strategy	
Pre-Updated Analysis	**Post-Updated Analysis**
• Embrace the political and highlight as key election issue (e.g., MT, OH, PA) • Drive narrative on impact on domestic production, economy, and jobs, while highlighting geopolitical risks • Limit Republican anti-China risk • Leverage House bills and bipartisan support to build and expand coalitions • Build grassroots support through coalition-development, member-company engagements, and trade groups	• Activate stakeholders to engage Admin and respond through comment period • Deploy center-Left coalition support to mitigate final updated analysis

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AXPC EHS Policy & Reg Affairs Committee Board Update

AMERICAN EXPLORATION & PRODUCTION COUNCIL

August 2024

2024 EHS Policy & Regulatory Affairs (EHSPRA) Committee Structure

EHSPRA Full Committee Chairs

Kerry Harpole MRO, Brian Woodard MOC

Water & Waste Subcommittee
Wendy Kirchoff
Gretchen Kohler AR
Brian Bohn, APA NEW

Air & Climate Subcommittee
Rebecca Denney
Jena Resnick AR
Mike Smith, DVN NEW

Health & Safety Subcommittee
Rebecca Denney
Chuck Burwick SWN
Kyle Kline SCRX

Operational Integrity, Fed Lands, & Wildlife (Joint) Subcommittees
Wendy Kirchoff
Jasmine Allison, Purewest
Mike Hauser, COP
Eric Gillespie, Ascent (Wildlife) NEW

Subcommittee	Primary issue areas of responsibility
Water & Waste	Water / waste management, sourcing, disposal, NORM/TENORM, WOTUS, CCUS, PFAS
Air & Climate	Air / emissions policy including methane, LDAR, flaring, ozone, climate change regulations
Health & Safety	Occupational health and safety, process safety, HSE annual benchmarking survey
Operational Integrity and Federal Lands	Federal lands leasing and permitting, hydraulic fracturing, NEPA
Wildlife	Wildlife / habitat management, threatened and endangered species, mitigation

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EHS Policy & Reg Affairs Committee Activities

2Q2024 Highlights

Methane and Emissions
- AXPC in-person workshop and EHSR manager level summaries of final rules for OOOOb/c and Subpart W
- Filed petitions for reconsideration with the agency and judicial review by the courts of both OOOOb/c and Subpart W
- EPA granted reconsideration of certain provisions of OOOOb/c; ongoing agency engagement in coordination with API
- Filed comments on the proposed implementing WEC rules
- Continued multi-level agency engagement on emissions and methane related rulemakings (i.e. Subpart W, NSPS OOOObc, WEC, etc.)

Ops Integrity and Federal Lands
- AXPC provided summaries for BLM issued Final Rules
  - Waste Prevention Rule
  - Conservation and Landscape Health Rule
  - Fluid Mineral Leasing and Process Rule
- Submitted implementation guidance request for BLM's Waste Rule
- Charted mitigation policy components included in recent final rules and agency guidance
- Continued support for AXPC advocacy on legislative permitting reform initiatives and review of recent proposals
- Developed updated legislative recommendations for reforming NEPA judicial review and associated permit reform priorities

Health & Safety
- HSE Survey of 2023 performance completed June 28th
- Continued member sharing discussions – safety share calendar
- In development of potential serious injury and fatality dashboard to allow more frequent member benchmarking of key safety indicators, especially fatalities and SIF events

Water & Waste
- Continued participation in Waters Advocacy Coalition on the implementation of the WOTUS 'navigable water's' definition finalized in response to Sackett decision
- Monitoring PFAS CERCLA rulemaking, state activities, and New Mexico petition to ban PFAS in upstream and related research
- Review of final EPA rule for Hazardous Substance Facility Response Plans (Clean Water Act, Section 301)

Wildlife
- AXPC comments submitted on BLM Sage Grouse RMP Amendments
- Group discussions identifying priority species for AXPC member companies and potential associated engagement with FWS

All
- Assisted with Initial drafting of 2025 AXPC policy roadmap with identified potential regulatory policy issues and agenda items

AXPC

Health & Safety Subcommittee

2024 Workplan

STRATEGY

Provide forum for sharing lessons learned, and monitoring trends

Support continuous improvement in H&S performance

Monitor and engage in key rule developments as warranted

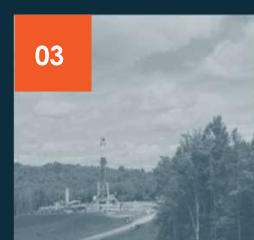
01

KEY FOCUS AREAS
- Knowledge sharing remains priority focus
- Serious Incidents and Fatalities (SIF)
- Health & Safety Implications of Environmental Rules
- OSHA Rulemaking and Standard

02

KEY DELIVERABLES
- ✓ 2023 HSE Performance Survey
- Potential safety dashboard for tracking fatalities and/or SIFs
- Build support for improving manhours estimation approach
- OSHA PSM Enforcement Stay and/or Rulemaking

03



OTHER ISSUES
- Coordination with Onshore Safety Alliance

AXPC

Operational Integrity, Federal Lands, & Wildlife Subcommittee

2024 Workplan

STRATEGY

Constructive engagement

Messaging the importance of federal lands development

Support new champions of federal lands development

Highlight industry conservation efforts

01

KEY FOCUS AREAS

- Federal Leasing and Reg Program
- Permit Reform
- ESA, MBTA, and other Wildlife Regulations
- Push for transparency and timeliness

02

KEY DELIVERABLES

- Implementation:
  - BLM Conservation & Landscape Rule
  - BLM Waste Prevention Rulemaking
  - Bonding/Fiscal Rulemaking
  - NEPA Rulemakings
- ✓ Support for Legislative Advocacy on permit reform and related issues
- Site Security & Measurement Rulemaking & Commingling

03

OTHER ISSUES

- ESA species listings
- Opportunities to partner with states and/or tribal operators

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Water & Waste Subcommittee

2024 Workplan

STRATEGY

Leverage relationships and industry coalitions and others on water issues and concerns

Continue collaboration with state regulators organizations on federal water issues

01

KEY FOCUS AREAS

- Water & Waste Management
- Water Sourcing & Disposal
- WOTUS Implementation and Lawsuits

02

KEY DELIVERABLES

- Nationwide Permit Reconsiderations
- Waters Advocacy Coalition participation on Waters of the U.S. (WOTUS)
- Evolving water and spill indicators and disclosure trends
- Continued engagement with the Ground Water Protection Council (GWPC)
- Close monitoring of PFAS Regulations and Studies, Class VI and CCUS

03

OTHER ISSUES

- Beneficial Reuse initiatives
- NORM / TENORM
- Hazardous Substances Worst Case Discharge Rule

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Air and Climate Subcommittee

2024 Workplan

STRATEGY

Constructive engagement

Building Relationships

Focus on practical solutions

Coordination with peer trades on shared priorities

KEY FOCUS AREAS

- OOOObc implementation / reconsideration
- Waste Emission Charge (WEC)
- GHG Subpart W "Empirical Data" Revision
- Alternate Methane Detection and Quantification Technologies
- *"Year of Measurement"*

KEY DELIVERABLES

- ✓ Engage EPA on Final OOOObc:
  - ✓ Federal implementation issues
  - ✓ Reconsideration petitions
  - ✓ Potential legal challenges
- ✓ Comments and Agency engagement on:
  - ✓ WEC Rulemaking
  - ✓ Sub W Revisions Rulemaking
- ✓ Support for political/legislative advocacy efforts on Methane
- Monitoring of satellites, MMRV initiatives and related efforts
- Monitor third-party applications for the Super Emitter Program

OTHER ISSUES

- ✓ Other GHGRP Revisions (Subpart A/B)
- Air Quality & Ozone Reconsideration
- Administration actions on Methane and Climate

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ESG Committee

Summer 2024 Board Update

Brooke Baum / Devon Energy *Co-Chair*

Maggi Young / Chesapeake Energy *Co-Chair* NEW

ESG Committee 1H2024 Updates and Outlook

ACCOMPLISHMENTS

- ✓ Kicked off 2024 ESG Benchmark
- ✓ AXPC Workshop on Final SEC Climate Disclosure Rule
- ✓ Updated AXPC ESG Framework released in January

LOOKING AHEAD

- Monitoring SEC Climate Rule Litigation
- Engagement with SEC on Climate rule implementation or reconsideration
- Final ESG Benchmark Report for 2024 disclosures
- Compliance and Legal Risks Associated with ESG Disclosures and Strategies
- AXPC Annual ESG Forum - October 16th and 17th

ENGAGEMENTS

- Baker Botts
- Second Curve
- Drivepath Advisors
- Rich Feuer Anderson
- ISSB

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SEC Climate Disclosure Rule

Current Status

- **SEC voted on partisan lines to approve the Final Climate Disclosure Rule** ***– March 6th***
- **Meaningful improvements have made, but significant issues remain**
- **Published in the Federal Register** ***– March 28th***
- **Litigation filed in six appellate courts, including from the U.S. Chamber of Commerce, the Sierra Club, and now 43 states in various coalitions**
- **Rule was to take effect May 28th but SEC voluntarily agreed to stay the rule as the litigation proceeds** ***– April 4th***
  - In June, the plaintiffs, intervenors, and amici curiae filed briefs with the court, and the SEC is expected to file its response in August. The plaintiffs' reply briefs are due ***- September 3rd***
- **The typical time period for an appellate court to rule on a petition for review is *12–16 months***
  - Some anticipate a decision could come ***late 2024 or early 2025***, others believe it will take longer
  - It is possible that the court may vacate the rules in whole or in part; even still, the rule serves as an indication for the staff's focus on registrants' climate disclosures and their view that such disclosures are material

AXPC

Biden has taken more action on climate than any president. His pitch? It creates jobs

June 26, 20245:02 AM ET interview with Jeff Brady Heard on Morning Edition - NPR

Joe Biden has one line he loves to repeat about climate change.

"When I think of climate... I think of jobs," Biden said at an event with union members just before Earth Day this year.

It's a line that draws applause from a union audience. But it also sums up how Biden has approached his work on climate change – as an economic opportunity as well as an environmental problem.

It's a strategy born, in part, of the moment when Biden was elected, says Gina McCarthy, Biden's former White House National Climate Advisor.

“Four years ago, millions of people across the country were sheltering in place. Thousands of Americans were sick and dying from COVID,” McCarthy says. “There was a need to really jump-start the ability for people to feel hopeful and excited again about the future.”

Focusing on climate as a jobs strategy accomplished another Biden goal of boosting the country's manufacturing sector and the economy, McCarthy says.

Almost four years later, Biden has arguably done more than any other American president to start moving the country away from burning fossil fuels, the main drivers of climate change.

In 2022, he worked with Democrats in Congress to pass the most ambitious climate legislation in U.S. history, the Inflation Reduction Act (IRA). The law directs hundreds of billions of dollars to boost renewable energy, electric cars, and cleaner manufacturing. His administration has also drafted sweeping new rules to clean up pollution from cars and power plants.

Those efforts are projected to reduce the country's greenhouse gas emissions up to 42% by 2030, compared to peak 2005 levels, according to the research firm Rhodium Group. Biden has pledged to essentially zero out greenhouse gas emissions by 2050.

These policies have been cheered by many environmentalists.

"President Biden is the greatest climate president we've ever had, by far," says Tiernan Sittenfeld, senior vice president of government affairs at the League of Conservation Voters.

But so far, Biden hasn't made his climate record a centerpiece of his bid for reelection. His campaign is more focused on reproductive rights, the economy and protecting democracy. The campaign did not make anyone available for an interview for this story.

It’s one of a series of seeming contradictions on climate change that mark Biden's first term in office.

While his administration has done more to address the warming planet than any previous one, few voters say they’re aware of those accomplishments. Even as his policies aim to replace fossil fuels with cleaner energy, the oil and gas industry is booming. And many of the places that have benefited from Biden’s policies are unlikely to vote for him.

Addressing climate change and rebuilding manufacturing

To see Biden’s climate agenda in action, a good place to visit is a factory in Williamsport, Pennsylvania.

This North Central Pennsylvania city is best known for hosting the Little League World Series each summer. But it also has a long history of manufacturing. The Italian multinational firm Prysmian, which produces electrical cables for power lines, just completed a new addition nearly the size of a football field – funded in part by subsidies for clean energy infrastructure in the IRA.

A key aim of the climate legislation is to transition the U.S. away from burning fossil fuels like coal, oil and natural gas, while expanding cleaner options like wind and solar power.

That will require a much bigger power grid and a lot more of Prysmian’s products. After years of declining demand, manufacturers like Prysmian are boosting production and developing new technologies.

“We're now in a new era for the power grid,” says David Horton, Prysmian’s plant director. “We need to rebuild the manufacturing capabilities to be able to keep up with the demand.”

The expanded facility will supply more efficient overhead lines for a major transmission project planned for the Midwest. The Grain Belt Express project is designed to move renewable power from where it’s generated on wind and solar farms in rural Kansas, to cities.

“In a project like the Grain Belt Express transmission line, we’ll use over half a million miles of that wire, which is enough to go to the moon and back,” says Patrick Whitty, a senior vice president with Invenergy, the company behind the project.

Prysmian received federal tax credits boosted by the IRA, totalling $3.89 million, to expand its Williamsport facility. The company says it plans to add 27 new jobs that pay at least $50,000 a year.

Many more IRA-funded projects are expected in coming years. So far, 316 new clean energy projects have been announced since the law passed, generating more than 100,000 new manufacturing jobs, according to the environmental business group E2. The White House estimates more than 270,000 jobs have been created.

But on the streets of Williamsport, few people seem to know what the IRA is – or that it's focused largely on climate change. Lycoming County, where Williamsport is located, is a Republican stronghold. The Prysmian plant is one of many IRA-funded projects located in Republican-dominated states and regions.

"I've heard of it, but I'm not that familiar with it," said Jean Weaver, outside the Williamsport Post Office. Another local resident, Carol Newman, said she'd never heard of the law at all. Both say they plan to vote for Donald Trump.

This lack of awareness goes well beyond Williamsport, national polling shows. That's despite incentives aimed at encouraging climate action in nearly every corner of the economy, including subsidies to help households buy electric vehicles, make homes more energy efficient and install solar panels. The law also includes an expanded loan guarantee program to finance climate-focused businesses and tax credits to expand clean energy manufacturing.

Environmental groups are trying to raise awareness.

"Our polls show the more that people know about this progress – these investments – that it can make their individual lives better, the more excited they are," Sittenfeld says. Her group, the League of Conservation Voters, endorsed Biden a year ago.

A second Biden term is essential to fully cement the policies he's put in place so far, Sittenfeld says. Efforts like the IRA and new fuel economy standards for cars are so far-reaching, it'll take years to fully implement them — something Sittenfeld fears could stall under a second Trump term.

Even as Biden boosts renewables, oil and gas are booming

While Biden has prioritized action on climate change, he's also presided over a boom in fossil fuel production. The United States is currently producing more crude oil than any country in history.

The president has little direct control over how much the oil industry drills on private land, where most oil is produced in the U.S. But Biden has also largely failed to deliver on a campaign promise to halt new oil and gas drilling on federal lands. Drilling has instead increased. In 2021, a federal judge blocked his administration's effort to temporarily suspend the sale of new oil and gas leases. His administration also approved some high profile projects opposed by environmentalists, such as the controversial Willow oil project in Alaska.

But that drilling hasn't translated into more support from the oil and gas industry.

“While we are very supportive of the shared goals of creating lower emissions globally, we have huge concerns with the way President Biden has gone about it,” says Anne Bradbury, chief executive of the American Exploration & Production Council.

She cites Biden administration efforts she says have hurt the domestic oil and gas industry, including new environmental regulations, restrictions on natural gas exports and the push toward electric vehicles and away from fossil fuels in homes and buildings.

Bradbury argues these policies could have unintended consequences that increase pollution.

“By focusing on policies that reduce or restrict U.S. oil and gas production, you're actually empowering producers like Iran and Russia,” Bradbury says, noting those countries have lower environmental standards.

Environmentalists are skeptical of that argument. Climate scientists say most undeveloped fossil fuel reserves – everywhere in the world – will need to stay in the ground in order to avoid the worst effects of a warming climate.

Environmentalists hope phasing out fossil fuels will be more of a focus if Biden is reelected. The country still is not on track to meet the climate goals Biden himself has set.

“I think that transition from fossil fuel to clean energy, given how beneficial it would be for us in our health and our economy, is really the challenge of the next administration,” McCarthy says.

Some young climate activists who helped elect Biden four years ago aren't as enthusiastic this time around.

In February, members of the climate and youth-focused Sunrise Movement protested at Biden’s campaign headquarters in Wilmington, Del., demanding more action. 21 demonstrators were arrested – some saying they wouldn’t vote for Biden.

The group says it won’t endorse Biden. But it still plans to campaign for him, because, it says, the alternative is worse. Donald Trump has courted oil executives and promised to expand drilling for fossil fuels, a shift that could slow the growth of cleaner energy.

“We don't agree with everything Joe Biden has done, everything he’s saying,” says Stevie O’Hanlon, communications director for the Sunrise Movement. “But our best shot at winning the things we're fighting for, at securing a livable future for millions of people, is to defeat Donald Trump.”

Landmark Emissions Study Says LNG Is Better Alternative for Environment

Posted to Energy May 17, 2024 by Ed Towns – DC Journal an Insidesources Publication
https://dcjournal.com/landmark-emissions-study-says-lng-is-better-alternative-for-environment/

Liquefied Natural Gas, or LNG, has been at the forefront of the global discussion on climate policy, energy, and emissions for decades. Natural gas advocates say it is an environmentally safer alternative to traditional, emissions-heavy fossil fuels such as coal and heating oil.

The Biden administration, which just two years ago called for more production of natural gas in efforts to blunt the impact of Russia's invasion of Ukraine, has now pivoted away from it. In January 2024, the administration announced a temporary ban, or "pause," on new LNG export licenses to suppliers to assess the greenhouse gas impact of LNG in global supply chains. Administration officials, under pressure from climate activists, have rallied against LNG's purported eco-friendliness vis-a-vis other fuel sources. They also argue the pause is necessary to incorporate LNG's climate impact in the "public interest" when determining the approval or rejection of LNG export projects.

But what does the science say?

A new study published by Berkeley Research Group (BRG), a leading economics and industry research firm, represents a watershed moment for emissions-based data collection. Its findings clarify the contentious dialogue surrounding LNG in the United States and around the world and show its true impact on the environment.

By comparing the greenhouse gas emissions per unit of energy output of U.S. LNG, pipeline natural gas, and coal in 13 international markets in Europe and Asia, the study found that U.S. LNG is cleaner in its lifecycle than coal and cleaner than Russian pipeline natural gas in every case studied. Importantly, by analyzing emissions from production, processing, shipping, and ground transportation, the study captures the complete value chain of each fuel type.
The data also shows that American LNG produces less than half of the resulting emissions of coal-generated electricity in international markets in Europe and Asia. In fact, if U.S. LNG replaced coal-generated power in these 13 markets for just one year, it would save the emissions equivalent of 153 million to 397 million cars (or 170,000 – 440,000 kilotons of carbon dioxide equivalent).

This remarkable finding conclusively shows that LNG is a dramatically safer, cleaner alternative to burning coal. This should not be overlooked because global coal use is not decreasing. On the contrary, electricity generation and exports from coal hit record highs just last year.
The environmental advantage of U.S. LNG also holds true when compared to piped natural gas in foreign export markets.

Put simply, American LNG is now among the least emission-intensive sources of energy in the world.

These findings are enormously important to understanding global environmental realities. They should inform dialogue and relevant policy decisions in energy security and climate policy within the Biden administration.

For years, experts on energy policy and American LNG producers have urged federal officials to continue to approve new LNG export licenses because LNG is the best way to secure our energy independence and reliability, while still minimizing the overall risk to our communities and environment. Now they have reinforced scientific evidence to support those claims.
Today, people around the globe rely on natural gas to generate electricity, heat, and fuel in homes and businesses. In one of the most remarkable sources of strength, American LNG is helping our allies push back against Vladimir Putin's Russia. American natural gas is protecting democracy now and in the future. Without it, the alternative is greater reliance on Putin and other authoritarians.

The results are in: American LNG is the safest, cleanest option we have to power our economy through increasingly uncertain global market forces, while ensuring that we act responsibly and use energy like natural gas that makes for a cleaner and greener country and world. The Biden administration would be wise (and would receive due credit) to reverse the LNG pause and harness the potential of American natural gas.

Biden Rallied the World at the G7, He Has More Arrows to Use Against Russia

July 11, 2024 by Joel Rubin, National Security & Foreign Policy Expert – The Well News
https://www.thewellnews.com/opinions/biden-rallied-the-world-at-the-g7-he-has-more-arrows-to-use-against-russia/

President Joe Biden traveled to Italy last month to attend a historic meeting of the G7. There, he rallied support for America's interests, including highlighting the need for our allies to continue to step up in the fight to contain Russian aggression.

Russia's war against Ukraine, where President Vladimir Putin ordered his forces to invade the sovereign territory of a democratic, peaceful and pro-Western neighbor, has led to hundreds of thousands of casualties and deaths. Countless civilians have lost their lives, loved ones and homes, and the United Nations has concluded that war crimes — "including executions, torture and ill-treatment, and sexual and gender-based violence" — have been perpetrated against the Ukrainian people.

Biden has proven to be a skilled global leader and fierce defender of Ukraine, backing it strongly as it endures this brutal, illegal Russian war of aggression. And in terms of obtaining direct American aid to support the Ukrainian government and military in its efforts to defend its democracy against a brutal authoritarian invasion, Ukraine has no stronger ally than the White House. But more needs to be done to pressure Putin to stop this war.

That's why Biden should consider deploying additional economic arrows that are available in his quiver to punish Putin's regime, ones that would complement the significant military aid and diplomatic support the United States is providing, especially as the newly appropriated funds for military aid finally flow into the country.

For instance, earlier this year, the administration issued a temporary pause on all new liquefied natural gas export licenses. The challenge of this position, in the Ukraine context, is that by limiting the American energy supply to our key allies in Europe, these same allies have been forced to look to Russia to make up the gap and have paid Russia handsomely for that energy, undercutting our economic sanctions policy against Putin.

Instead, we need to help Europe, which would like to wean itself off Russian natural gas dependence in favor of U.S. supplies. And with demand expected to increase significantly in the coming years, the United States needs to be positioned to meet this demand so that Russia doesn't. Fortunately, our country is in such a position, as the European Union more than doubled its imports of American LNG in 2023 to account for 42% of total LNG imports, replacing Russia as their leading natural gas partner. In short, Europe wants American, not Russian, gas. But by no means is that a certainty into the future, as Russia overtook the United States as Europe's leading natural gas supplier in May.

So to help Ukraine win this war, and to support our allies in the process, the Biden administration should reconsider the temporary pause on new LNG export licenses in the context of Ukraine. Doing so will provide Europe with energy security while cutting deep into the coffers of Russia's expansionist agenda.

And by providing Europe with the energy resources it needs so that it doesn't have to hand over money to Putin, prospects for pressuring Putin to end the war will increase. But if the opposite occurs, as is now the case, Russia's military will ironically continue to be funded by energy sales made to North Atlantic Treaty Organization member states, economically prolonging the war. Americans are rightly questioning how long this war will last. Biden is on the right side of history by backing Ukraine strongly. And now, in the major upcoming push to enable Ukraine to stop Putin, the time is ripe to fully strike at the heart of Putin's war machine by starving it of the funds upon which it depends.

Joel Rubin is a leading national security, foreign policy and congressional expert. He is a former deputy assistant secretary of state for legislative affairs in the Obama administration, where he directed the State Department's work with the House of Representatives. He was a senior aide in the U.S. Senate and has run for Congress. A frequent presence in the national media with more than two decades of Washington experience, Rubin has a unique skill set navigating the political dimensions of U.S. foreign policy. He can be reached on X.

McConnell: ‘Performative Climate Policy’ Takes ‘Levers of American Power Off the Table’

“Since 2016, American LNG had been a remarkable success story. It had driven our economy to become a net energy exporter... But this year, Russia has overtaken the United States in gas exports to the European market. And it might have something to do with a ban one of our former Democratic colleagues, Mary Landrieu, described as, ‘throwing a match in a bale of hay.”

WASHINGTON, D.C. – U.S. Senate Republican Leader Mitch McConnell (R-KY) delivered the following remarks today on the Senate floor regarding energy and national security:

“Last week, a U.S. company announced it had reached an agreement to begin exporting American liquefied natural gas to Ukraine for the first time.

“That’s good news – for our friends on the front lines of Russian aggression, for allies across eastern Europe, and for the workers and producers behind some of America’s most affordable and reliable energy.

“Exporting American abundance is a win-win proposition. And it’s one that our closest trading partners in Europe have increasingly recognized as an opportunity to offset their reliance on Russian gas.

“But, setting aside last week’s good news, the Biden Administration is still chronically confused about the role that affordable and abundant American energy can play as a geopolitical tool, a source of American leadership, and an engine of our economy.

“In a joint pledge issued two years ago, President Biden committed to help reduce Europe’s reliance on Russian energy and increase global energy security. Then, a few lines later, he reiterated his commitment to the unenforceable virtue signals of the Paris climate deal.

“Sometimes, it seems that cognitive dissonance is the most powerful force in the universe.

“Remember, the President who continues to insist he’s serious about helping America’s closest allies resist the predations of Putin’s Russia is the same President who made stunting American energy development a Day One priority.

“He’s the same one who decided not to intervene when he had a chance – before Russia’s escalation in Ukraine – to block the expansion of European reliance on Russian gas with the Nord Stream 2 pipeline.

“And of course, this is the same President who earlier this year issued a de facto ban on new permitting for LNG export infrastructure that will make it harder for American producers to respond to demand for reliable alternatives to Russian or Iranian energy.

“As I’ve discussed at length, Russia’s escalation in Ukraine prompted some of our closest European allies to finally start investing seriously in their own defenses. And it’s also been an opportunity to rethink their dangerous overreliance on Russian energy.

“Back in February, one German state-owned energy provider was in the process of switching from buying Russian gas to buying American gas, instead. But that plan was stifled by the Administration’s decision to appease its activist base instead of reinforcing America’s allies.

“So last week brought good news. But here’s the rub: this new commitment to Ukraine relies in part on the completion of a new LNG export facility that is stuck in the Biden Administration’s regulatory purgatory.

“And even as already-permitted infrastructure comes online, producers who want to create new American jobs and expand their capacity to meet foreign demand are out of luck.
“Since 2016, American LNG had been a remarkable success story. It had driven our economy to become a net energy exporter. And just last year, even in the shadow of the Biden Administration’s war on energy, the United States was the world’s largest LNG exporter.

“But this year, Russia has overtaken the United States in gas exports to the European market. And it might have something to do with a ban one of our former Democratic colleagues, Mary Landrieu, described as, ‘throwing a match in a bale of hay.’

“We might describe the President’s ban as a tremendous missed opportunity.

“But that would under-sell the predictably disastrous consequences.

“In the face of a dangerous world, the Administration’s obsession with performative climate policy is taking meaningful levers of American power simply off the table.”

Exclusive — Rep. Guy Reschenthaler: Biden's 'War on American Energy' Defeating His Goal of Ending European 'Dependence' on Russian Energy

June 18, 2024 by Sean Moran is a policy reporter - Breitbart News
https://www.breitbart.com/politics/2024/06/18/exclusive-rep-guy-reschenthaler-bidens-war-american-energy-defeating-his-goal-ending-european-dependence-russian-energy/

Rep. Guy Reschenthaler (R-PA) told Breitbart News that President Joe Biden's "war on American energy" has harmed Biden's own goal of ending European dependence on Russian energy.

"Joe Biden's war on American energy benefits Russia, China, and Iran — at the expense of the United States. The president's deliberate actions attacking domestic energy production and halting new LNG exports do nothing but put our allies into the hands of our foreign adversaries and further endangers our national security," Reschenthaler, the chief deputy whip for House Republicans, told Breitbart News in a written statement.

The Pennsylvania lawmaker spoke to Breitbart News as the Financial Times reported that Russia has eclipsed the United States as the lead supplier of natural gas to Europe despite the continent's efforts to wean itself off of Russian energy.

Following the advent of the Ukraine-Russia conflict, Russia started dramatically cutting pipeline gas to Europe. As a result, Europe has increased imports of natural gas from other regions. Subsequently, the United States overtook Russia as the lead supplier of gas to Europe in September 2022, and since 2023, American gas amounted to about a fifth of the region's supply of natural gas.

Russia's status as the lead supplier of natural gas follows President Joe Biden promising in March 2022 to end Europe's reliance on Russian energy after the outbreak of the Russia-Ukraine conflict.

He said during a speech in Poland:

> First, Europe must end its dependence on Russian fossil fuels. And we, the United States, will help. (Applause.) That's why just yesterday, in Brussels, I announced a plan with the President of the European Commission to get Europe through the immediate energy crisis.
>
> Over the long term, as a matter of economic security and national security and for the survivability of the planet, we all need to move as quickly as possible to clean, renewable energy. And we'll work together to help get that done so that the days of any

nation being subject to the whims of a tyrant for its energy needs are over. They must end. They must end.

The Biden administration has enacted many others major environmental policies that could also have stifled America's energy production. These include:

- Raising royalty rates for fossil fuel companies to pull oil, coal, and gas from public lands
- Increasing by ten times the amount of bonds companies need to secure before they start drilling
- Requiring existing coal plants in the United States to reduce 90 percent of their greenhouse emissions by 2039; this is seen as a "death knell" by coal plants.
- Requiring high-capacity power plants that burn natural gas to reduce their emissions by 90 percent by 2032

Reschenthaler continued, "America is blessed with a vast array of natural resources — including right here in my home state of Pennsylvania. The White House should be utilizing them to restore our nation's energy independence and support our European friends. The only thing standing in the way is Joe Biden."

Russian Gas Sales to Europe Exceed US Supply As Ukraine War Rages

June 17, 2024 at 4:33 PM ET by Nick Pope, Contributor – The Daily Caller
https://dailycaller.com/2024/06/17/russia-us-natural-gas-europe-ukraine/

Russia overtook the U.S. in terms of natural gas supplied to Europe in May as the war in Ukraine continues, according to Financial Times.

Once the leading supplier of gas to Europe, Russian deliveries fell off drastically following the start of the war in Ukraine as European states rushed to support the Ukrainian cause, according to Financial Times. However, despite the West's sanctions and attempts to get off of Russian fuels, Europe is still buying considerable amounts of gas from Russia while the Biden administration has paused approvals for new liquefied natural gas (LNG) export terminals, further complicating Europe's long-term energy supply.

Critics of the LNG pause have voiced concerns that the Biden LNG pause introduces needless uncertainty into Europe's energy planning for the future. "One-off factors" were responsible for Russia overtaking the U.S. in May, according to Financial Times.

Russia provided 15% of the gas supplied to the European Union (EU), U.K., Switzerland, Serbia, Bosnia and Herzegovina and North Macedonia in May, compared to 14% of supply that came to Europe from the U.S., according to Financial Times.

"The assertion from this administration that Biden's LNG ban would have no impact on our trading partners is blatantly dishonest," Republican Texas Rep. August Pfluger said in a statement shared with the Daily Caller News Foundation. "As U.S. players have been forced to withdraw on the global stage, Russia has filled the gap—making billions for Putin's war machine in the process. President Biden's LNG export ban must be lifted immediately to allow U.S. energy to flow to our allies."

The Biden administration has countered criticisms of its LNG pause by asserting that there is plenty of already-approved export capacity in place that is unaffected by the moratorium, meaning that the risk to European supply is minimal or negligible. Several pundits and market watchers have credited American gas exports for allowing European allies to maintain support for the Ukrainian war effort amid spiking energy prices, especially in 2022.

"It's striking to see the market share of Russian gas and [liquefied natural gas] inch higher in Europe after all we have been through, and all the efforts made to decouple and de-risk energy supply," Tom Marzec-Manser, who leads the gas analytics team for a consulting firm called ICIS, told Financial Times.

The White House did not respond immediately to a request for comment.

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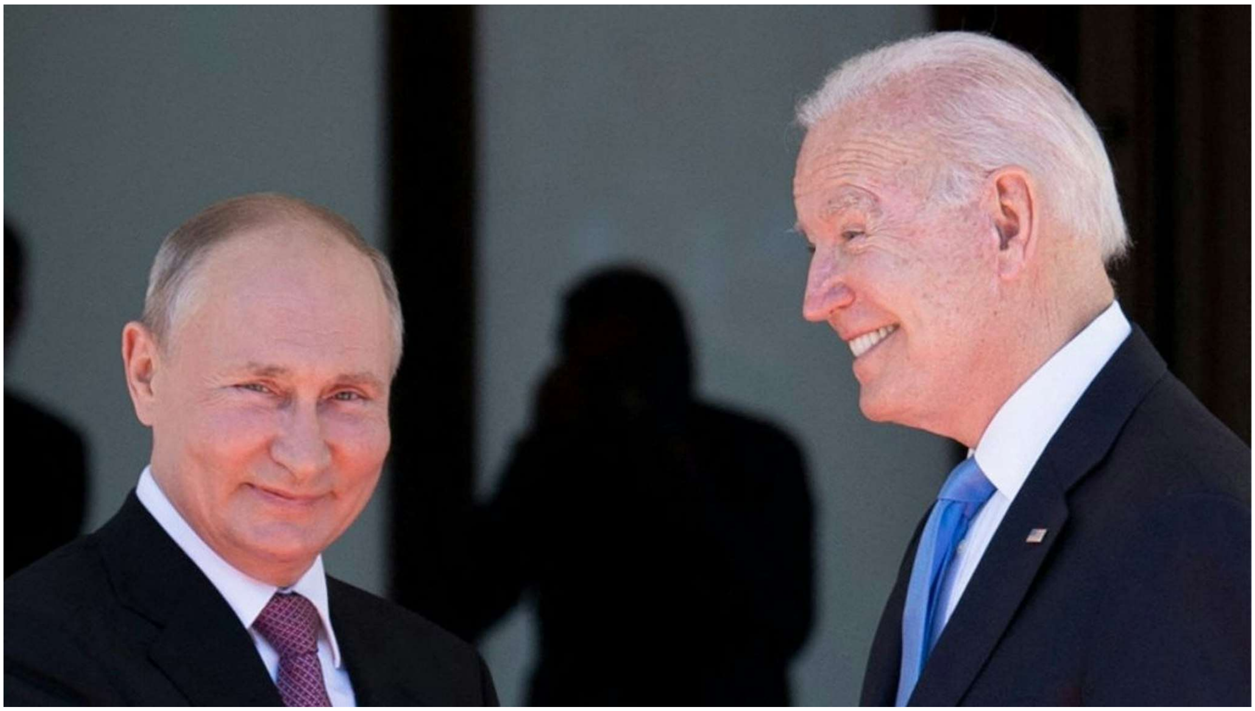
Russia Now Supplies More Natural Gas To Europe Than U.S. Does

Jun 19, 2024 by Ryan Saavedra - DailyWire.com
https://www.dailywire.com/news/russia-now-supplies-more-natural-gas-to-europe-than-u-s-does



BRENDAN SMIALOWSKI/AFP via Getty Images

Russia has overtaken the United States as the top exporter of natural gas to Europe despite the continent trying to break its reliance on Russian energy in response to Russia's war in Ukraine. Russian President Vladimir Putin cut his country's supply of gas to Europe following his invasion of Ukraine in February 2022 and the continent responded by importing liquified natural gas (LNG) from the U.S.

"The US overtook Russia as a supplier of gas to Europe in September 2022, and has since 2023 accounted for about a fifth of the region's supply," The Financial Times reported. "But last month, Russian-piped gas and LNG shipments accounted for 15 per cent of total supply to the EU, UK, Switzerland, Serbia, Bosnia and Herzegovina and North Macedonia, according to data from ICIS."

U.S. shipments of natural gas to Europe have since fallen to 14% of the region's supply, the report said, which comes despite efforts from several European nations to sanction Russian energy, which would reduce Russia's ability to continue funding its war through energy sales. Experts claimed to the newspaper that "one-off factors drove the reversal," including an outage at a major U.S. natural gas export facility.

However, the outage comes after President Joe Biden halted issuing new licenses for natural gas exporters, which has forced companies to delay signing new contracts with U.S. energy producers, Bloomberg News reported.

Rep. Stephanie Bice (R-OK) responded to the development by telling The Daily Wire in a statement: “The Biden Administration’s decision to pause approvals for new LNG export terminals has once again forced Europe into the pockets of Putin.”

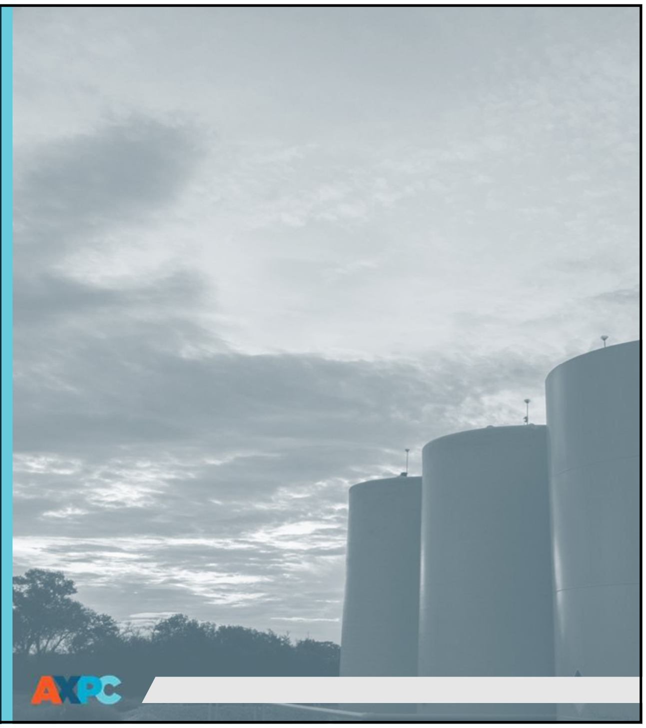
“His decisions not only counter his climate goals, since Russian natural gas is 41% dirtier than American, but harms our domestic producers,” she added. “When it comes to Russia, Biden talks the talk, but his actions are doing nothing but supporting Putin.”

Sen. Ted Cruz (R-TX) also responded to the news during the most recent episode of his “Verdict” podcast this week, saying that Biden and the Democrats “are united in favor of this policy.”

“They are helping Russia. They are hurting our allies, they are hurting Europe, and they’re hurting jobs in Texas, and hurting jobs in America,” he said, later adding: “Joe Biden and the Democrats have this incoherent view that they hate oil and gas produced in America, which, by the way, produces jobs, raises wages here in the United States, but they seemingly love oil and gas produced by our enemies. They love Russian oil and gas. They love Iranian oil and gas. They love Venezuelan oil and gas.”

“Joe Biden is halting the sale of American natural gas to Europe, which means the Europeans are buying them from Vladimir Putin,” he continued. “The Democrats are literally funding Russia in the war against Ukraine. It is incoherent and it’s indefensible.”

AXPC Org Scenario Planning and Dues Modeling Resource Slides



Expense Scenarios

	2024 Budget	Status Quo - Annualized 3-Year	Enhanced	Transformative
Personnel and related	$3,710,780	$4,050,000	$4,512,250	$4,892,475
Notes: Includes salary, bonus, retirement, health insurance and other benefits				
Travel and sponsorships	$347,000	$382,000	$392,000	$497,000
Notes: Includes additional funding for conference sponsorships and attendance fees (e.g., CERA week, NAPE, Natural Gas Dialogues, Clean Energy Week)				
Professional services and fees	$196,500	$226,500	$296,813	$296,813
Notes:				
Office rent, leases and maintenance	$140,000	$143,000	$143,000	$143,000
Notes: Includes office rent and maintenance, office expenses, insurance				
Government Affairs	$635,000	$660,000	$870,000	$1,225,000
Notes: Includes consultants, educational rig tours and site visits, PAC management and travel, and grassroots development. Enhanced scenario funds additional consultant capacity, strategic partnerships, PAC marketing and amplification, and grassroots buildout. Transformative scenario funds specialized, issue-specific consultants and coalition-building, deeper, higher-impact strategic partnerships, and grassroots amplification.				
Communications	$315,000	$315,000	$315,000	$435,000
Notes: Includes comms consultants, limited digital ads and content creation. Budget is held steady under status quo and enhanced and adds additional consultant under transformative. Note that issue-specific campaigns are funded under advocacy fund (separate on next slide)				

Expense Scenarios

	2024 Budget	Status Quo - Annualized 3-Year	Enhanced	Transformative
Regulatory and ESG	$775,000	$780,000	$1,005,000	$1,320,000
Notes: Includes regulatory and ESG consultants; rulemaking comments; regulatory coalitions, and EHS and ESG benchmarks. Status quo adds some additional funding for new safety dashboard. Enhanced adds EPA or ESG focused consultant and funding for additional benchmarking and survey products; transformative includes both EPA and ESG focused consultants; additional funding for additional survey products; additional funding for regulatory coalitions and rulemaking comment development				
Membership	$160,000	$170,000	$225,000	$250,000
Notes: Includes conferences and meetings; additional funding would be for meetings and additional hosted events				
Advocacy Fund, Collateral materials, Legal	$713,200	$763,200	$1,483,200	$2,763,200
Notes: Includes issue campaigns and non-recurring advocacy expenses; additional funding under enhanced includes funding for studies and legal support; transformative includes additional funds for issue campaigns, more robust studies and analysis, and legal efforts				
2024 Supplemental: Regulatory, Political, and Grassroots	$1,850,000	$560,000	$1,320,000	$1,820,000
Notes: Status quo carries over funding for additional regulatory activities. Enhanced includes political and grassroots spending on level with 2024 but annualized over 2 years; transformative provides same level as 2024 supplemental on annual basis.				

	2024 Budget	Status Quo - Annualized 3-Year	Enhanced	Transformative
Total Expenses	$8,842,480	$7,987,200	$10,562,263	$13,642,488

AXPC

Accounting and Financial Policies and Procedures

Updated for the year ended
December 31, 2023 and thereafter

Introduction

The purpose of this manual is to document the policies and procedures relating to the accounting and financial activities of American Exploration and Production Council (AXPC). AXPC is recognized by the Internal Revenue Service as a corporation exempt from federal income tax according to Section 501(c)(6) of the Internal Revenue Code. AXPC represents the interests and advocates for member companies in the oil and natural gas exploration and production industries in the United States.

AXPC uses a mix of employees and outsourcing to carry out its accounting and finance operations. The key players are:

- AXPC:
  - CEO: Anne Bradbury
  - Director of Operations and Government Affairs: Hannah Cooke (1/29/2024 onwards), previously Carolyn Quinn for 2023
  - Executive Assistant and Office Manager: Rachel Coval
- Outsourced Accounting Firm - Lane & Company, CPAs (Lane & Co.):
  - Partner: Bob Lane
  - Manager: Mike DeStefano, also considered the Outsourced Treasurer for AXPC
- Global Retirement Partners LLC:
  - 401(k) advisor: Alex Assaley
- Gusto (various staff, no dedicated rep)
- Iteck (various staff)

Accounting Setup

Accounting System and Integrations

AXPC uses Intuit's QuickBooks Online (QBO) for its accounting system. Ownership of the Intuit account rests with AXPC, though the account is set up through the Accountant Console owned by the Outsourced Accounting Firm for a discounted billing and to allow for streamlined access to QBO for the Outsourced Accounting Firm rather than creating multiple user logins for each external user.

Using the Bank Feed function in QBO, the accounting system is connected to AXPC's bank, Truist, for importing bank activity from the checking and money market accounts. It is also connected to American Express (AmEx) to import credit card activity from the AmEx site.

QBO also is connected to Bill.com and Tallie. Bill.com, as will be discussed later, is the site used to process almost all vendor payments. It synchs with QBO to import to the accounting system all bills, payments, and vendors created in Bill.com. Bill.com is also owned by Intuit. The only users with access to Bill.com are the Outsourced Accounting Firm, the CEO, the Director of Operations and the Executive Assistant/Office Manager.

Tallie is used to review credit card activity from the AmEx account and to attach receipt documentation to every charge as well as to code the charge to the correct expense account in QBO. Tallie then is used to export the charge with coding and attached receipt to QBO. Using the QBO Bank Feed mentioned earlier that imports the charges from AmEx, the Bank Feed activity is matched to the exported Tallie data. Effectively, the Tallie export serves as a check on the QBO bank feed, and vice versa. Only the Outsourced Treasurer, Director of Operations and Executive Assistant/Office Manager have access to Tallie.

Basis of Accounting and Significant Policies

AXPC prepares its financial statements on the accrual basis consistent with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958. All transactions are recorded consistent with US generally accepted accounting principles (GAAP).

Revenue Recognition

AXPC receives only a few sources of revenue. They are listed below with their revenue recognition policy:

1. **Membership dues**: the main source of revenue and consistently the highest. This source of funding provides cash flow for the operating needs of the organization and is considered 100% program service revenue with no contribution component. It is also considered a basket of services (communications, government relations, regulatory consulting and compliance, and membership relations and events) that AXPC provides to all members throughout the dues membership year.
    a. All members' dues years are on the calendar year basis.
    b. All members also pay the same rate in dues or are prorated, if a new member, based on the membership start date in a given year.
2. **Assessments**: like dues, assessments are considered 100% program service revenue and differ in dues because they are often one-time, unique in use or cover a service not normally covered by membership dues. These are recognized in the year the service is performed, also on the calendar year basis consistent with dues.

3. **Sponsorships**: these occur much less often than the above though are consistent each year in a small amount. These are essentially contributions in nature since no service is being directly and commensurately performed for the provider of the sponsorship.

Expenses

Consistent with GAAP, expenses are accrued to the period the benefit is derived from the service provided. This is often accrued exactly to the month even for financials prepared before the year-end since AXPC tracks closely its budget vs. actual spending as a year progresses.

Fixed Assets

Consistent with GAAP, AXPC capitalizes expenses for furniture, equipment, etc. that is expected to provide a benefit past the year in which it is purchased. The threshold for capitalization is $1,500. Depreciation is calculated using the straight-line method and varies on the period depreciated based on the item. Computers are depreciated over three years, and furniture over at least five years. Leasehold improvements are amortized over the remaining lease term of the office space currently being leased.

Cash and Cash Equivalents

One of the organization's largest assets is its cash and cash equivalents. As of this writing, the organization's cash and cash equivalents consist of the following:

- Truist Bank: checking account, noninterest bearing
- Truist Bank: money market account, interest bearing

AXPC also considers all CDs and other fixed income securities with maturities of 90 days or less to be cash equivalents.

Board-designated Net Assets

In 2022, the organization created the Advocacy Fund, a special set of funds designated to be used on specific advocacy efforts. A budget amount is allocated to the fund for spending each year, and unused amounts are carried forward to be used as needed in the future. Because this was created and approved by the board, and because the amount of funding is designed to roll over each year, this is recorded as a board-designated net asset. Spending on the fund is communicated to the board at every board meeting as part of the Outsourced Treasurer's Report.

Internal Controls and Procedures

Controls over Cash and Related Procedures

Cash Disbursements

Cash disbursements are almost exclusively processed through Bill.com. Outside of Bill.com are the regular payroll disbursements processed through outsourced payroll processor, Gusto, which are debited from Truist via ACH submitted by the Outsourced Treasurer on the Gusto website. There are also rare wire payments that the Outsourced Treasurer can make through Truist, only with documented approval from the Director of Operations or the CEO. These only occur with time-sensitive items. Payments are also made for the American Express credit card account, also only made with documented approval from the Director of Operations or the CEO. Last, there are disbursements made as part of the regular funding of retirement plan contributions, which are also done through the vendor platforms (Vanguard, etc.) and not through Bill.com.

Disbursements from Bill.com always start with AXPC. The Director of Operations, or, the Executive Assistant/Office Manager as backup, will send to the Outsourced Treasurer invoices to pay via email or will send the invoices to AXPC's Bill.com inbox for processing directly on the site. The Outsourced Treasurer will take the invoice and create a bill on the site for approval to pay by both the Director of Operations and the CEO. The Outsourced Treasurer cannot initiate payments on Bill.com without AXPC approval in the system as a site approval policy.

Cash Receipts

Cash receipts either come in the form of physical checks mailed to the AXPC office or via ACH/wire transfer directly to the Truist account. Mailed-in checks are opened in the AXPC office by the Executive Assistant/Office Manager and are deposited by the Director of Operations or the CEO depending on availability. Checks are deposited immediately after receipt in the mail.

For ACH/wire transfers, these are captured in the financials at a minimum through the monthly F/S preparation when Lane & Co. processes information in the statement. The Director of Operations also checks in with the Outsourced Treasurer as needed during a given month if they are expecting a payment from a member. The check-ins are especially frequent at the start of a year when tracking membership dues payments for following up with open dues to be received. The CEO also has online access to the Truist account and can review as needed.

Bank Reconciliations

Currently, only the Truist checking account used for paying operating costs and receiving dues and sponsorships is reconciled monthly. The money market account has never had a reconciling item and should not function in such a way that any would result. This monthly reconciliation is performed by the Outsourced Accounting Firm. This reconciliation is performed as part of the monthly financial statement preparation, which is then reviewed and approved by two levels on the Outsourced Accounting Firm side before drafts are approved to be provided to AXPC for review. The Outsourced Treasurer downloads statements from the Truist website and saves them to the secured network drive used by the Outsourced Accounting Firm and securely managed by their outsourced IT provider, Ntiva.

Signers

Currently, only the CEO and the Outsourced Treasurer are signers on the Truist accounts.

Controls over Payroll and Related Procedures

Regular Payroll Processing

Payroll is processed by Gusto. The actual running of payroll and maintaining data on the Gusto website is performed by the Outsourced Treasurer at the direction of the CEO or the Director of Operations. Payroll occurs semi-monthly with discretionary annual bonuses paid at the end of a given year.

AXPC does entitle staff to take vacation and time off; however, this is not a benefit that accrues and is paid out on termination, and so no accrual for PTO is needed.

Because all staff are salaried, no timekeeping is needed as the same amount of pay goes out each week per employee. Time-off requests are submitted through Gusto by the employee (all staff have accounts on the site affording a specific level of access).

Because the amount paid to each staff does not change during a year, approval of payroll is denoted by the CEO's approval of the salary for each staff member for the year. This amount is then communicated by the CEO or the Director of Operations to the Outsourced Treasurer to be updated in Gusto to ensure the 1/1/XXXX payroll runs as approved. All other payrolls are not individually approved. The CEO's compensation is approved by the board and can only be changed in Gusto with documented approval from the board's executive committee, typically the board chair.

On top of the approvals by the CEO/the board and being communicated to the Outsourced Treasurer, management's review of the financials is another check on payrolls being run as designed since the annual budget for salaries is based on the approved salary rates and should track evenly throughout the year. If there were deviations from the salary budget, this would be an obvious sign that something was not expensed properly or reflected in Gusto correctly.

When new employees are hired, they complete the appropriate paperwork including withholding forms and authorizations for payroll deductions that are part of the Gusto website. When employees are terminated, they are removed from the payroll system by the Outsourced Treasurer after confirmation from the CEO or Director of Operations. All changes in personnel data are reported promptly so they can be properly taken care of in the payroll system.

401(k) and 457(b) Plans

The Outsourced Treasurer is responsible for funding retirement contributions through the Vanguard website. AFS 401(k) Retirement Services LLC is the third-party administrator managing the plan and works with the Outsourced Treasurer to ensure all needed contributions are being made throughout the year. They also initiate payments of the CEO's 457b contributions and any profit-sharing contributions as needed.

When necessary, the appropriate payroll accruals are made by the Outsourced Accounting Firm as part of the monthly F/S preparation. This is reviewed with the corresponding schedule for the accrual as part of the workpapers and denoted review via email by multiple levels on the Outsourced Accounting Firm side.

Other Internal Controls

Journal Entries

Journal entries are prepared initially by the Outsourced Accounting Firm as part of the monthly financial statement preparation. Journal entries are used to record the semi-monthly payroll, adjust the right of use asset and lease liability for the office space lease, record depreciation on fixed assets, and any other need that may arise for accurate presentation of the financial statements. The Outsourced Treasurer also has the ability to record journal entries in QBO. All journal entries for a given month's financials are reported in a Journal Report from QBO that is first reviewed by the Outsourced Treasurer and then a second time by the Outsourced Accounting Firm's Partner before drafts of the financials are provided to AXPC.

Financial Reporting

As mentioned, the Outsourced Accounting Firm prepares monthly financial statements for AXPC's management to review. This review is performed by the CEO and Director of Operations. Often, the CEO, Director of Operations and Outsourced Treasurer will meet to discuss the monthly financials and connect on spending of the Advocacy Fund and any assessments made on members for a given year. Additionally, the board receives financial statements as part of the three board meetings held each year.

Budgeting

The annual budget for AXPC is a collaborative effort among the CEO, Director of Operations and Outsourced Treasurer. As a year progresses, management closely tracks actual and budget financial activity. Around mid-year, the next year's budget is being drafted based on actuals being observed and management's planned activities for the next year.

After the draft budget is created, it is put in front of the board at the final meeting of the year (often held in late November/early December) for approval. It is then formally approved and the budget to actual results presented to them as mentioned above.

Other Policies and Procedures

Investment Policy

Starting in 2024, AXPC will engage with Truist to invest some of its reserves in money market fund and fixed income investments. This will not be an actively managed account, and is rather client-directed to avoid unnecessary fees for the low level of investing planned.

As part of this effort, an investment policy statement was drafted. Besides money market funds, the only fixed income investments that are allowable in this policy are low-risk, including FDIC-insured certificates of deposit as well as U.S. Treasury bills. No investing in equities or corporate debt is permitted.

Credit Card Policy

AXPC may issue corporate credit cards to Officers and employees who travel frequently on AXPC business. The CEO and the Outsourced Treasurer will approve the issuance of credit cards. The credit cards are and will remain the property of AXPC and are to be used exclusively for AXPC business; AXPC-issued credit cards are not to be used for personal business. In the event of an emergency or error, if the card is used for personal business, arrangements should be made to reimburse AXPC immediately.

Inappropriate use of an AXPC-issued corporate credit card could result in the suspension of the employee's credit card and/or other disciplinary action, up to and including termination in appropriate cases.

CEO Credit Card + Reimbursements

As a layer of review on the reimbursements paid to the CEO and the CEO's credit card charges, the board chair annually reviews all CEO expense activity. The outsourced treasurer will create a report detailing all reimbursements paid and credit card charges incurred by the CEO and provide that listing to the chair for their review and approval.

Travel and Entertainment

Employees traveling on AXPC business who have an AXPC-issued credit card should use their best efforts to use the card for all AXPC-related expenses. If an employee incurs charges other than those on the credit card, AXPC will reimburse the employee if the charges are: (i) reasonable and necessary, (ii) for AXPC business purposes, and (iii) properly documented, approved, and submitted.

The traveler is responsible for ensuring that the approval is obtained from his/her supervisor prior to taking a trip. An expense report showing all expenses must be submitted and approved by the employee's supervisor within 30 days after the end of the trip. Substantiation of expenses must include the purpose for trip and amount of all expenditures listed by date and location. All expenses over $50.00 require an itemized receipt or other documentation.

Airlines

Travelers should select the least costly air route and, when possible, airline tickets should be booked at least 14 days in advance to take advantage of advance purchase fares. For flights of less than six hours, travelers must purchase economy class airfare. Only seat upgrades within coach/economy class are an allowable expense. Travelers may upgrade to business or first class at their own cost and expense. Travelers may use business class for flights six hours or longer. Airline miles earned while traveling on AXPC business are retained by the employee and use of frequent flyer miles or upgrades are not reimbursable, even if used on AXPC business.

Car Rental

In general, a full size or smaller car should be rented; however, the size and type of rental car should be appropriate for the number of people in the car and road conditions. In-car navigation systems and electronic toll payment options for rental cars are considered reimbursable.

When renting a car domestically or internationally employees are to purchase insurance at the time of the rental.

In the event of an accident, a police report must be obtained and the CEO must be notified.

Lodging

The class of hotel must be reasonable and appropriate for the location and a traveler attending a conference or similar gathering may take a room in the hotel that is hosting the event.

Hotels of moderate and reasonable comfort should be sought, rather than deluxe or luxury hotels. Each traveler should use their best judgment in selecting a location and hotel at which to stay, recognizing that their health and safety are of paramount importance.

Business Meals

AXPC defines a reimbursable business meal as a meal consumed by an employee and other invited attendees when AXPC business is discussed during the meal. A business meal is also any meal consumed by the employee while the employee is traveling on AXPC business. Meal expenses must be ordinary, necessary and appropriate for the business. When more than one employee is present at a business meal, the employee with the highest-ranking job level should pay the bill.

Entertainment and Gifts

Expenses for entertaining official guests of AXPC should be reasonable and appropriate. Entertainment expenses incurred shall only be allowed if it can be shown to be beneficial to the organization and consistent with the mission of AXPC. Entertaining and/or expenses for other AXPC personnel, spouses, family members or personal friends are neither reasonable nor necessary, and therefore are not permissible.

The IRS requires documentation of all business entertainment expenses including date, nature of expense, amount, purpose, and attendees. It is the responsibility of the AXPC staff member entertaining a guest or guests to document the name of each guest and to provide a brief recap of the business discussed or the reason for the incurrence of the expense.

When more than one employee is present, the employee with the highest-ranking job level should pay the bill.

U.S. federal, state and local laws regulate and/or restrict - and in some cases prohibit - the giving of gifts to public officials. As defined in these laws and for purposes of this policy, a "gift" generally includes anything of value given by AXPC or its employees to a public official. Examples include food and beverages, event tickets, travel, AXPC memorabilia and honoraria. A gift also includes a payment made to a third party on behalf of a government official. The term "public official" includes any elected or appointed officer or employee of a U.S. federal, state or local government or government agency. Examples include federal or state legislators, members of the military, environmental agency employees, public university employees, police officers and municipal utility employees. In all instances, gifts must be approved in advance by the AXPC Treasurer or his approved delegate and AXPC outside counsel.

Cell Phone Reimbursement

AXPC does not issue cell phones to employees. Until such time as AXPC issues cell phones to employees, paid employees of AXPC will, upon approval of the CEO, be reimbursed for a flat cellular service rate as established by the CEO in accordance with federal tax law.

Mileage and Parking Reimbursement

Employees who travel on AXPC business may be reimbursed for miles driven and parking fees. The reimbursement is calculated using the current IRS standard mileage rate for business miles driven and actual parking fees. For travel between AXPC offices and an off-site function, all miles driven are considered reimbursable. For travel between the employee's home and an off-site function, reimbursable miles equal the total miles driven minus the total miles between the employee's home and AXPC offices.

Employees must submit an expense report that shows the date, destination, purpose for travel, total miles driven, reimbursable miles, and amount to be reimbursed for each trip. The expense report must be approved by the employee's direct supervisor.

Employees conducting AXPC business must carry auto liability insurance as mandated by state law.

Employee Gifts

As a recognition of employment and service, the organization does allow gifts to employees, though these cannot cumulatively cost more than $100 per employee, per year. Year-end gifts are a common practice by trade associations to recognize not just staff, but members and even consultants they work closely with.

CPAs & ADVISORS

DATE

To the Board of Directors
American Exploration & Production Council
Washington, D.C.

We have audited the financial statements the American Exploration & Production Council (AXPC), as of and for the year ended December 31, 2023, and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 2024. Professional standards also require that we communicate to you the following information related to our audit.

- **Qualitative Aspects of Accounting Practices**

  Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by AXPC are described in Note 1 to the financial statements.

  During the year ended December 31, 2023, AXPC adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), which replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by AXPC that are subject to the guidance in FASB ASC 326 are trade accounts receivable. AXPC implemented the ASU on January 1, 2023, using a modified retrospective approach; however, the impact was determined to be immaterial and resulted in enhanced disclosures only.

  No other accounting policies were adopted, and the applications of existing policies were not changed during the year ended December 31, 2023. We noted no transactions entered into by AXPC during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

  Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

  The most sensitive estimates affecting the financial statements were:

  - Management's estimate of the allocation of expenses to programs, which is based on an allocation of the estimated time spent on each program.

  - Management's estimate of the present value discount of the lease liability, which is based on the seven-year risk-free rate.

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We evaluated the key factors and assumptions used to develop the estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

- **Difficulties Encountered in Performing the Audit**

  We encountered no significant difficulties in dealing with management in performing and completing our audit.

- **Corrected and Uncorrected Misstatements**

  Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We are pleased to report we did not propose any adjustments during our audit.

- **Disagreements with Management**

  For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

- **Management Representations**

  We have requested certain representations from management that are included in the management representation letter dated DATE.

- **Management Consultations with Other Independent Accountants**

  In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to AXPC's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Other Audit Findings or Issues**

  We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as AXPC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Independence and Non-Audit Services Provided by Audit Firm**

  In accordance with professional standards, during the fiscal year and currently, all members of our firm were independent with respect to AXPC. All other time and expenses incurred by us were in connection with our annual audit.

This information is intended solely for the use of the Board of Directors and management the American Exploration & Production Council, and is not intended to be, and should not be, used by anyone other than these specified parties.

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FINANCIAL STATEMENTS

AMERICAN EXPLORATION & PRODUCTION COUNCIL

FOR THE YEAR ENDED DECEMBER 31, 2023 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

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AMERICAN EXPLORATION & PRODUCTION COUNCIL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Exploration & Production Council
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the American Exploration & Production Council (AXPC), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AXPC as of December 31, 2023, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AXPC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AXPC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AXPC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AXPC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited AXPC's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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AMERICAN EXPLORATION & PRODUCTION COUNCIL

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

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ASSETS

	2023	2022
Cash and cash equivalents	$ 5,810,948	5,349,035
Certificate of deposit	1,000,000	-
Accounts receivable	48,925	-
Other receivables	44,373	-
Prepaid expenses	15,706	95,868
Furniture, equipment, and leasehold improvements, net	43,237	13,978
Deposit	22,156	22,156
Right-of-use asset, net	519,676	646,755
Deferred compensation plan	83,736	49,280
TOTAL ASSETS	**$ 7,588,757**	**$ 6,177,072**

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable and accrued liabilities	$ 647,100	281,822
Deferred revenue	3,190,000	2,800,000
Operating lease liability	616,808	661,293
Deferred compensation plan	83,736	49,280
Total liabilities	4,537,644	3,792,395
NET ASSETS		
Without donor restrictions	3,051,113	2,384,677
TOTAL LIABILITIES AND NET ASSETS	**$ 7,588,757**	**$ 6,177,072**

See accompanying notes to financial statements.

AMERICAN EXPLORATION & PRODUCTION COUNCIL

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	Without Donor Restrictions	
	2023	**2022**
REVENUE AND SUPPORT		
Membership dues and assessments	$ 6,716,667	$ 6,028,750
Sponsorships	250,500	90,000
Interest income	177,613	194
Total revenue and support	7,144,780	6,118,944
EXPENSES		
Program Services	5,322,007	4,485,980
Supporting Services:		
Management and General	1,156,337	794,118
Total expenses	6,478,344	5,280,098
Change in net assets	666,436	838,846
Net assets at beginning of year	2,384,677	1,545,831
NET ASSETS AT END OF YEAR	**$ 3,051,113**	**$ 2,384,677**

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See accompanying notes to financial statements.

AMERICAN EXPLORATION & PRODUCTION COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022
		Supporting Services		
	Program Services	Management and General	Total Expenses	Total Expenses
Personnel and related	$ 2,492,282	$ 859,934	$ 3,352,216	$ 2,673,775
Professional fees	1,742,835	115,821	1,858,656	1,946,418
Conferences and meetings	280,431	3,169	283,600	219,661
Occupancy	79,156	25,975	105,131	104,110
Travel	120,877	36,569	157,446	103,060
Sponsorships	147,125	-	147,125	62,125
Office expenses	21,037	49,469	70,506	53,690
Dues and subscriptions	197,908	22,612	220,520	44,137
Advertising	240,356	-	240,356	43,083
Technology and related	-	42,788	42,788	30,039
TOTAL	**$ 5,322,007**	**$ 1,156,337**	**$ 6,478,344**	**$ 5,280,098**

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See accompanying notes to financial statements.

AMERICAN EXPLORATION & PRODUCTION COUNCIL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 666,436	$ 838,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,991	6,101
Amortization of right-of-use asset	127,079	94,213
(Increase) decrease in:		
Accounts receivable	(48,925)	-
Other receivables	(44,373)	-
Prepaid expenses	80,162	(80,845)
Increase (decrease) in:		
Accounts payable and accrued liabilities	365,278	153,450
Deferred revenue	390,000	630,000
Operating lease liability	(44,485)	(94,017)
Net cash provided by operating activities	1,501,163	1,547,748
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(39,250)	-
Purchase of certificate of deposit	(1,000,000)	-
Net cash used by investing activities	(1,039,250)	-
Net increase in cash and cash equivalents	461,913	1,547,748
Cash and cash equivalents at beginning of year	5,349,035	3,801,287
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,810,948**	**$ 5,349,035**
SCHEDULE OF NONCASH TRANSACTIONS:		
Right-of-Use Asset Obtained through Operating Lease	**$ -**	**$ 940,968**
Operating Lease Liability	**$ -**	**$ 755,310**

See accompanying notes to financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

American Exploration & Production Council (AXPC) is a non-profit organization, located in Washington, D.C. AXPC's mission is to work with regulators and policy makers to better educate them on the industry's operations in order to create sound, fact-based public policies that result in the safe, responsible exploration of America's vast oil and natural gas resources.

AXPC is the voice of the leading independent U.S. energy producers. It promotes the inherent value of American-made oil and natural gas. AXPC educates and advocates for responsible upstream development and constructive Federal solutions with policymakers, industry partners, and the media. It actively supports its members' commitment to continuous improvement.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follow:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets with Donor Restrictions -** Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AXPC's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by AXPC that are subject to the guidance in FASB ASC 326 are trade accounts receivable. AXPC implemented the ASU on January 1, 2023, using a modified retrospective approach; however, the impact was determined to be immaterial and resulted in enhanced disclosures only.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Cash and cash equivalents -

AXPC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, AXPC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Certificate of deposit -

AXPC holds a certificate of deposit that matured in February 2024. Accrued interested on the certificate was $42,500 as of December 31, 2023, which is included in other receivables in the accompanying Statement of Financial Position. Certificates of deposit are recorded at cost. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to member dues. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses, if applicable, is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. AXPC has determined that there are no estimated credit losses resulting from trade accounts receivable as of December 31, 2023.

Furniture, equipment, and leasehold improvements -

Furniture, equipment, and leasehold improvements in excess of $1,500 are capitalized and stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the remaining life term of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2023 totaled $9,991 and is included in occupancy in the accompanying Statement of Functional Expenses.

Income taxes -

AXPC is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(6). For the year ended December 31, 2023, $40,341 of excise tax on excess executive compensation has been accrued for and is included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position. Additionally, AXPC may be subject to unrelated business income taxes on advertising activities. For the year ended December 31, 2023, AXPC had no significant net unrelated business income.

Revenue and support -

AXPC’s membership dues and assessments are treated as exchange transactions revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. AXPC has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue and support (continued) -

AXPC's contracts with customers generally have initial terms of one year or less.

The benefit that members receive is of commensurate value for their membership dues and assessments paid. Revenue is recognized incrementally over their membership period. The membership period coincides with AXPC's fiscal year, so in consideration of individual performance obligations with respect to the timing of revenue recognition, there are no obligations that extend beyond year-end.

Prices for membership dues and assessments are specific to distinct performance obligations and do not consist of multiple transactions. They do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. AXPC did not have any impairment or credit losses on any receivables arising from contracts with customers. There are also no incremental costs of obtaining a contract, and there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Some of AXPC's activities are supported by sponsorships from other organizations that are for various activities performed by AXPC. These are considered contributions and are recognized in the appropriate category of net assets in the period received. AXPC performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Sponsorships that are unconditional but are limited to specific programmatic areas or are designated for use in future periods are considered to be net assets with donor restrictions, until such time AXPC incurs the related expenses or satisfies the time restrictions. As related expenses are incurred on donor-imposed restrictions, or the satisfaction of time restrictions occurs, unconditional sponsorships are then reclassified as without donor restrictions. Sponsorships that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional sponsorships contain a right of return from obligation provision and a barrier that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Funds received in advance of substantially satisfying conditions are recorded as refundable advances. However, AXPC had no refundable advances as of December 31, 2023. Additionally, AXPC did not have any unrecognized conditional sponsorships as of December 31, 2023.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of AXPC are reported as direct expenses to the programmatic area and those expenses that benefit more than one function (such as occupancy, depreciation, and office expenses) are allocated on a basis of estimated time and effort or other reasonable basis.

2. LIQUIDITY AND AVAILABILITY

AXPC has a policy to structure its financial assets to be available and liquid as its obligations become due. Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 5,810,948
Certificate of deposit	1,000,000
Accounts receivable	48,925
Other receivables	44,373
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 6,904,246**

3. LEASE COMMITMENTS

AXPC follows FASB ASC 842 for leases. AXPC has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. AXPC has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

In January 2020, AXPC entered into a lease agreement for office space in Washington, D.C., commencing in January 2020 and ending in July 2025. In July 2022, an amendment was approved to extend the lease term to July 2029. The monthly base payment required under the lease was $11,078, with annual escalation clauses providing for a 2.5% increase. The amendment revised the monthly base rent down to $8,977 starting in August 2022, with annual escalation clauses providing for a 2.5% increase. Under the amendment, the first twenty (20) months also receive a 50% rent abatement. AXPC recorded the operating lease liability by calculating the present value using a discount rate of 1.55%. For the year ended December 31, 2023, total lease cost was $102,637 and total cash paid was $54,423.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2023:

Year Ending December 31,	
2024	$ 97,765
2025	114,357
2026	117,215
2027	120,146
2028	123,149
Thereafter	72,874
Subtotal	645,506
Less: Imputed interest	(28,698)
OPERATING LEASE LIABILITY	**$ 616,808**

4. RETIREMENT PLANS AND FAIR VALUE MEASUREMENTS

AXPC provides retirement benefits to their employees through a defined contribution 401(k) plan (the Plan) covering all full-time employees with one month of eligible experience. AXPC can provide a discretionary matching and discretionary profit sharing contribution. Employer contributions to the Plan during the year ended December 31, 2023 amounted to $119,600 and are included in personnel and related in the accompanying Statement of Functional Expenses.

AXPC invests in a deferred compensation 457(b) plan for its Chief Executive Officer. As of December 31, 2023, total deferred compensation amounted to $83,736 and was invested in equity mutual funds.

In accordance with FASB ASC 820, *Fair Value Measurement*, AXPC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market AXPC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by AXPC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by AXPC are deemed to be actively traded.

Accordingly, as of December 31, 2023, the entirety of the deferred compensation asset investments were categorized as Level 1 investments.

5. SUBSEQUENT EVENTS

In preparing these financial statements, AXPC has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

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To the Board of Directors
American Exploration & Production Council
Washington, D.C.

In planning and performing our audit of the financial statements of American Exploration & Production Council (AXPC) as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered AXPC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AXPC's internal control. Accordingly, we do not express an opinion on the effectiveness of AXPC's internal control.

Our consideration of AXPC's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in AXPC's internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated DATE on the financial statements of AXPC. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

CURRENT YEAR OTHER RECOMMENDATIONS

Current Expected Credit Losses

2023 Recommendation: On January 1, 2023, the Association was required to adopt Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326); however, no formal policy has been established by the Association. Additionally, upon our review of the evaluation for expected credit losses, we noted the Association still determined the allowance for credit losses based on historical percentages and subsequent collections. The implementation of CECL required a rigorous analysis of the creditworthiness of an organization's customer base using historical loss data and a detailed understanding of current economic conditions alongside reasonable and supportable forecasts of future economic conditions. The evaluation we reviewed did not take the new CECL framework into consideration. Accordingly, we recommend the Association establish a comprehensive policy encompassing the Current Expected Credit Loss (CECL) model and use it to reevaluate the methods and estimates used when determining the allowance for credit losses. The policy will help ensure the Association is properly applying US GAAP to its impacted financial instruments.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Chief Executive Officer's Expenses

The Chief Executive Officer's expense reimbursements and credit card charges are currently not properly reviewed by a member of the Board. In order to maintain an appropriate level of transparency with respect to these transactions, we believe these expenses should be reviewed for reasonableness and approved by the a member of the Board of Directors. We suggest a summary of all such expenses be forwarded to the on monthly or quarterly basis for review and approval. In no instance should the review and approval process delay reimbursement.

PRIOR YEAR OTHER RECOMMENDATIONS WITH CURRENT YEAR STATUS

Conflict of Interest Policy

2022 Comment: We noted that AXPC has a formal comprehensive conflict of interest policy on its employee manual, which is signed by an employee upon hire. Given the increased emphasis and attention on the transparency of financial operations in the non-profit and corporate environments, we recommend AXPC have employees sign a conflict of interest policy annually and not just upon hire. The policy should provide for an annual statement for any senior management employees, officers and Board of Directors certifying their compliance with the policy. Senior management and the Board of Directors should review these statements annually.

2023 Status: We did not note any change in the status of this comment, therefore continue our aforementioned recommendation.

Accounting Policies and Procedures Manual (Comment Cleared)

2022 Comment: AXPC should develop a formal manual documenting its accounting policies and procedures. The purposes of such a manual are to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. A well-written accounting manual aids in the training of new employees and assists management in delegating and segregating duties, both of which will become increasingly important as AXPC continues to grow and employ additional personnel. The process of developing the manual allows for a comprehensive review of the existing accounting system, offering management the opportunity to eliminate any dated procedures, creating a more efficient and effective system. We also recommend the completed manual should be reviewed and formally approved by those charged with governance.

In addition, key topics to be covered in the manual should include the following:

- Accounting policies and procedures
- Cash management
- Wire transfer policies
- Procurement policies
- Disbursement policies
- Budgeting policies
- Reporting policies
- Investing policies
- Payroll policies
- Chart of accounts
- Political allocations policy

2023 Status: We noted the organization adopted a financial policies and procedures manual in 2023. Accordingly, we consider this matter remediated.

Credit Card Documentation (Comment Cleared)

2022 Comment: We noted several instances of credit card charges where the charges were not supported with the appropriate receipts. It is imperative that all credit card charges be supported with the actual receipt; the business purpose of each charge should also be evident on the face of the receipt.

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2023 Status: During the current year audit, we were able to obtain all supporting documentation to support credit card charges sampled and tested. Accordingly, we consider this comment fully remediated.

Cyber Liability Insurance Coverage

2022 Comment: AXPC carries out a significant portion of its business activities through online platforms. In today's environment, it is critical for an organization to protect its sensitive internal information from the multitude of cyber security threats. Given recently publicized incidences of data breaches and ransomware events, we believe planning for such an event is critical. Accordingly, we suggest AXPC review its insurance coverages to ensure it maintains an adequate amount of cyber security insurance; the purpose of the insurance policy would be to help recover costs and remediate damages in the event of an unanticipated cyber breach. As a matter of best practice, we also recommend AXPC perform an independent review of its entire insurance portfolio to ensure it is "right-sized" to its current level of operations and its overall risk tolerance level.

2023 Status: We did not note any change in the status of this comment, therefore continue our aforementioned recommendation.

IT Policies and Procedures

2022 Comment: AXPC does not maintain formal policies and procedures with respect to the information security. Formal IT policies include sets of rules and regulations that lay out the framework for AXPC's data security, including elements such as people, process, and the technology. Specifically, these policies aim to define the aspects that are critical to protecting AXPC from threats, outages, reputation damage and/or privacy violations. Accordingly, we suggest management consider developing an Information Security Policy, as well as any other applicable IT Policies, in order to mitigate such risks to the organization; the policies should be evaluated annually for adequacy and relevance. Management should also ensure that this information correlates to what is disclosed in the privacy policy (on the website). Examples of policies that should be considered include, but are not limited to, the following:

- Information Security
- Acceptable Use
- Backup and Storage
- Data Retention
- Incident Response
- DR/BCP (Disaster Recovery/Business Continuity Plans)

2023 Status: We did not note any change in the status of this comment, therefore continue our aforementioned recommendation.

This communication is intended solely for the information and use of management, the Board of Directors, others within AXPC, and is not intended to be, and should not be, used by anyone other than these specified parties.

DATE

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