Big Oil Caught Lying Again: After A Year Of Fighting To Keep Revenues From Schools, Big Oil Falsely Claims Biden Climate Policies Will Keep Revenues From Schools

SUMMARY: The American Petroleum Institute (API) is spending millions on advertising to argue that President Biden's temporary pause on public lands oil and gas drilling will adversely affect public school budgets. The facts tell a different story.

Big Oil and its allies in Congress mischaracterize the pause a "ban." The reality is that oil and gas production continues on public lands as usual, and the Interior department is issuing new drilling permits.

A pause on new leases will not affect royalties, the largest pot of money that flows to state and school budgets from public lands oil production. Bonuses, the payments made by oil companies at the time of leasing, have historically only constituted a small percentage of the revenue generated from oil production on BLM land.

Further, no new leasing is necessary for new oil production to begin. The oil industry is sitting on an enormous backlog of unused drilling permits that it can begin producing on at any time. In all, there are 7,700 unused leases covering 13 million acres of public land that are shovel-ready to begin production, but oil companies choose to wait.

Big oil says the sky is falling, but the truth is that oil prices are rebounding, and economists forecast favorable economic conditions for budgets in oil-producing states like New Mexico.

If big oil truly cared about state and school budgets, they would have opposed BLM's effort during 2020 to slash royalty rates on leases across the west, sometimes to as low as 0.5%.

That program was supported by the API, but an independent government audit determined that the program was bungled and ended up costing taxpayers untold millions, while often giving a bailout to oil companies that didn't need it.

Big Oil Is Spending Millions To Spin Lies About President Biden's Temporary Pause On New Public Lands Oil Leases—Saying It Will Hurt Schools

RHETORIC: Big Oil Says A Pause On Leasing Is A "Ban" That Will Hurt Public School Funding

Oil Industry Associations Are Mischaracterizing President Biden's Temporary Pause On New Oil And Gas Leases As A "Ban"

President Biden Instituted A Temporary Pause On New Public Lands Oil And Gas Leasing. "The Biden administration is expected to announce a temporary suspension of new oil and gas leasing on U.S. federal lands and waters on Wednesday, and to order that nearly a third of federally run acreage is conserved over the next decade, three sources familiar with the matter said on Tuesday." [Reuters, 01/26/21]

The Independent Petroleum Association Of America (IPAA) Mischaracterizes The Pause As A "Ban." "The ban on oil and natural gas leasing on federal lands and waters is setting states up for failure. Not only does it eliminate opportunities for education, but its repercussions will be felt across people's lives in these states as state and local funding begins to whittle down. By eliminating the future of the oil and natural industry, the Biden Administration is kneecapping the future of these communities." [IPAA, 01/27/21]

The American Petroleum Institute (API) Also Mischaracterizes The Pause As A "Ban." "The oil lobby group is also skeptical of proposals by Biden and Democrats to help affected fossil fuel workers transition to jobs in cleaner energy or to compensate state and counties for the hit on revenues from a leasing ban. 'The idea that you are going to seek to undermine or eliminate an industry and then provide them with government jobs in a New Deal-type of fashion is pretty insulting to U.S. oil and gas workers.'" [*Washington Examiner*, 01/13/21]

Big Oil Says The Supposed "Ban" Will Hurt School Budgets— And Put $1.8 Million To Push The Message On TV Ads

The Group Energy Citizens Has Placed Nearly $1.8 Million In Cable And Broadcast Ad Buys In Colorado, New York, Ohio, And Washington, DC. [AdImpact Ad Buy Data, Downloaded 02/11/21]

- **Energy Citizens Is A Front Group Created By The American Petroleum Institute, Big Oil's Lobbying Arm.** "Energy Citizens is a creation of the American Petroleum Institute, the oil industry's largest trade group. (In 2009, API has spent some $5.8 million on lobbying, much of it on the climate and energy bills.) A memo from API president Jack Gerard, leaked to Greenpeace, urged his group's members to ensure 'turnouts of several hundred attendees' at supposedly grassroots events like the ones Energy Citizens was sponsoring." [Mother Jones, 12/05/09]

One Of The TV Ads Says That Biden's Policies Will Limit Funding For States And Schools. TV Ad Which Says, "Right now, safely accessing energy on federal lands adds millions to state budgets across the country. Money earmarked as a vital source for funding for schools. But banning new federal leasing would limit that much-needed funding going to the states- funding that communities and our families count on. There's too much at stake. Energy that funds the public good is worth fighting for. Become an energy citizen." [Energy Citizens Ad, captured 02/04/21]

API And IPAA Hosted A Media Call To Say The Pause Will Hurt School Funding, Too. "During a media call hosted by the American Petroleum Institute, multiple oil and gas trade association representatives spoke on the impacts a ban on federal leasing will have on education funding. This follows a recent study by the University of Wyoming which shows a ban on federal leasing would cause state and school districts to lose hundreds of millions of dollars in annual revenue, with Native American communities being disproportionately affected." [IPAA, 01/27/21]

Big Oil's Congressional Allies Are Pushing The Message, Too

Senator John Barrasso Issued A Budget Amendment Echoing API's Message—Erroneously Calling The Pause A "Ban" And Complaining Of School Budget Impacts. "The U.S. Senate will have the chance to go on the record today to support students and schools in states that will suffer under the Biden administration's oil and gas leasing ban. U.S. Senator John Barrasso's (R-WY) budget amendment would allow for the hundreds of millions of dollars in lost revenue that states currently receive for public education to be replaced. That funding will be slashed in states like New Mexico, Colorado, and Wyoming because of President Biden's executive order to ban new oil and gas leasing on federal lands and waters." [Barrasso Press Release, 02/04/21]

- **John Barrasso Has Taken Over $1.1 Million From The Oil And Gas Industry.** Over the course of his career, John Barrasso has taken $1,169,103 from the oil and gas industry. [Center For Responsive Politics, accessed 02/25/21]

Senator Cynthia Lummis Says The Policy Will "Harm Our Ability To Fund Our Schools." Senator Lummis said, ""Make no mistake about it, the Biden Ban is a strike on the heart of Wyoming jobs, families and communities. His actions to appease the radical left will be borne disproportionately on the shoulders of states like Wyoming with high amounts of federal lands. This unilateral action will kill jobs, raise gas and energy prices, and further harm our ability to fund our schools, roads, hospitals, and other critical infrastructure. The price of this ban is simply one the people of Wyoming cannot afford." [Senate Committee On Energy & Natural Resources, 01/29/21]

- **Cynthia Lummis Has Taken Over $140,000 From Oil And Gas Industry.** Over the course of her career, Cynthia Lummis has taken $145,026 from the oil and gas industry. [Center For Responsive Politics, accessed 02/25/21]

REALITY: There Is No Leasing Ban—Just A Temporary Pause On New Leases

During The Pause The Biden Administration Continues To Issue New Permits To Drill On Existing Leases

The Leasing Pause Doesn't Affect New Permits, Which The Bureau Of Land Management Continues To Issue. "The sources pointed out that the upcoming order would affect leasing activities, and not permitting, raising the possibility that the government could resume providing drilling permits to those who picked up leases in a series of auctions held in the waning days of the Trump administration." [Reuters, 01/26/21]

- **A Permit, Or "APD," Is What A Company Must Obtain Before Producing Oil On A Federal Public Lands Lease.** "Once a leaseholder, operator, or designated agent identifies an oil and gas deposit on a Federal lease, they can file an application for permit to drill (APD). The BLM posts these APDs on its 30 Day Federal Public Posting Report Page. The BLM governs the APD process under Onshore Order #1 and its 2017 amendment, which is codified under 43 CFR §3160." [BLM.gov, accessed 02/25/21]

Interior Approved 33 APDs In The Week Following The Leasing Pause. "Top Interior Department officials have used the temporary new process to approve dozens of drilling permits since Jan. 20, when Biden was inaugurated. At least 33 have been authorized for offshore oil and gas wells in the Gulf of Mexico, according to a Bloomberg News review of government data." [Bloomberg, 01/29/21]

REALITY: Money From New Leasing Is Only A Small Fraction Of The Revenue Schools Get From Public Lands Oil Production

Most Of The Money Schools Get From Public Lands Comes From Royalties On Production Of Oil And Gas, Which Are Not Impacted By The New Leasing Pause

There Are Three Main Sources Of Revenue From Federal Lands Oil Production That Go To State Governments And Schools; Royalties, Rents, And Bonuses. "Companies pay a wide range of fees, rates, and taxes to extract natural resources in the U.S. The amounts differ depending on the ownership of the resources. We'll cover some of the major types of payments companies make here. They are usually called "revenue" because they represent revenue to the American public. When companies extract natural resources on federal onshore lands and the Outer Continental Shelf, they pay revenue to the Department of the Interior (DOI).
In general, companies pay bonuses, rents, royalties, or fees and penalties (if incurred) to ONRR, and in some cases bonuses and rents to the Bureau of Land Management." [Interior Office Of Natural Resource Resources, accessed 02/25/21]

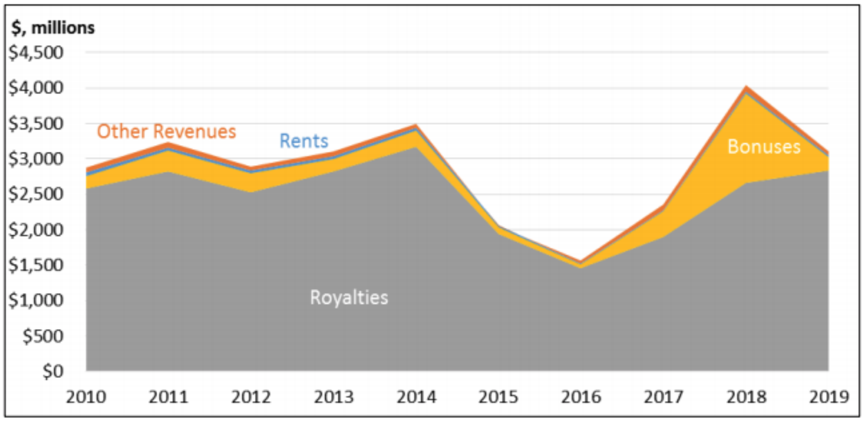
- **Bonuses Are The Only Revenue From New Leasing.** "The Bonus is the payment associated with the winning bid in a competitive lease sale, equal to or exceeding the required minimum of $2 per acre." [Congressional Research Service, 09/22/20]

- **Most Revenue Comes From Royalties, Which Are A Percentage Of The Value Of Oil Actually Produced.** "Royalties, a percentage of the sales value of extracted resources, make up most of the revenue paid to DOI. Lease holders also pay different fees to the Bureau of Land Management, Bureau of Safety and Environmental Enforcement, and Bureau of Ocean Energy Management, often to reimburse the federal government for costs associated with awarding, administering, and enforcing leases. For extracting locatable hardrock minerals on federal lands, companies pay fees, but not royalties under the Mining Law of 1872." [Interior Office Of Natural Resource Resources, accessed 02/25/21]

- **The Vast Majority Of Revenue Comes From Royalties.** Bonuses made up an increased percentage of total revenues during the Trump administration's leasing bonanza, but bonuses are historically only a small fraction of total revenue compared to royalties.

Revenues and Disbursements from Oil and Natural Gas Production on Federal Lands

Figure 5. Federal Oil and Natural Gas Revenues from Onshore Federal Lands



Source: ONRR, "Revenue by Year," https://revenuedata.doi.gov/downloads/revenue/, and CRS calculations using BLM data for APD.

Notes: All APD fees are added to the ONRR category "Other Revenues." Excludes revenue from Native American lands.

Source: Congressional Research Service

REALITY: Even Without New Leases, Industry Is Sitting On An Enormous Backlog Of Unused, Existing Leases That Can Be Developed Any Time

The Industry Has A Stockpile Of 26 Million Acres Of Unused Oil And Gas Leases That Can Be Developed Without New Leasing

The Oil And Gas Industry Has A Stockpile Of 7,700 Unused Leases. "Onshore and offshore, the oil and gas industry is sitting on approximately 7,700 unused, approved permits to drill." [Department of the Interior, accessed 02/25/21]

The Oil And Gas Industry Has A Stockpile Of Unused Leases Covering 13.9 Million Acres Of Public Land. "Namely, of the more than 26 million acres under lease to the oil and gas industry onshore, nearly 13.9 million (or 53 per cent) are unused and non-producing. Offshore, of the more than 12 million acres of public waters under lease, over 9.3 million (or 77 per cent) are unused and non-producing." [Offshore Energy, 01/28/21]

Big Oil Ramped Up Lease Acquisition In The Waning Months Of The Trump Administration. One Company Even Bragged About It To Investors

Biden's Leasing Pause Made Good On A Campaign Promise—Oil Companies Prepared For The Policy By Stocking Up On New Leases At The End Of The Trump Administration. "The previous 60-day halt on 21 January 2021 is not restrictive for many oil and gas companies because they had anticipated such legislative action and had stockpiled extra leases. Several large companies admitted they had existing leases that would last four years to drill and complete wells. The BLM, under Interior, had approved 1,400 federal leases and permits in the previous three months – a lot more than usual and mainly in New Mexico and Wyoming." [Forbes, 01/27/21]

In The Last Three Months, The Industry Secured More Drilling Permits Than Any Other Period During The Trump Administration. "Companies submitted more than 3,000 drilling permit applications in a three-month period that included the election, according to data from the U.S. Bureau of Land Management. Officials approved almost 1,400 drilling applications during that time amidst the pandemic. That's the highest number of approvals during Trump's four-year term, according to AP's analysis." [Associated Press, 01/10/21]

One Company, EOG Resources, Bragged To Investors That It Had Secured 2,500 Permits, Enough To Carry Them Through A Presidential Term. "Houston-based EOG Resources amassed the most permits this year — 1,024 — including 549 since September, according to AP's analysis. In total, EOG has about 2,500 federal permits approved or in progress. 'If he (Biden) tries to impose some regulations on how new federal permits are issued, we certainly already have an inventory, a large inventory, of existing federal permits that will sustain activity for several years,' company CEO Lloyd Helms told a November investors conference. Oklahoma-based Devon Energy collected the second-highest number this year. As the presidential campaign wore on this summer, Devon executives assured investors that the company was amassing permits. By October, Vice President David Harris said the company had enough 'federal drilling permits in hand that essentially cover all of our desired activity over the next presidential term.'" [Associated Press, 01/10/21]

REALITY: The Price Of Oil Is Actually Rebounding, And States Are Expecting A Budget Windfall

As The Price Of Oil Recovers, Economists Expect Good Things For State Budgets Despite President Biden's Temporary Pause On New Oil Production

Economists Expect Global Demand For Oil To Rebound In 2021, Reaching Sustained Pre-Pandemic Levels By The End Of The Year. "Global oil demand is expected to recover to pre-COVID-19 levels of around 100 million b/d by the end of the year driven by a strong rebound for gasoline, diesel and fuel oil, several analysts said Feb 23. Platts Analytics expects oil demand to reach 102.6 million b/d by the fourth quarter of this year, the highest since Q4 2019 when it averaged 103.9 million b/d." [S&P Global, 02/23/21]

Economists Expect The Rebounding Oil Price To Help Oil-Producing States Like New Mexico Shore Up Their Budgets. "A rebound in oil and natural gas prices is changing the outlook for state government finances in New Mexico as the Legislature drafts a spending plan for the coming fiscal year. A team of economists from three state agencies and the Legislature said Wednesday that state government income is likely to increase by $339 million during the fiscal year that begins July 1 to a total of $7.55 billion. The outlook in December was lower by nearly $200 million." [Associated Press, 02/17/21]

Royalties From Oil Production Are Making The Difference. "Severance taxes and royalties on oil production account for most of the bump in forecasted state income, amid higher market prices for oil and surging local production in the final months of 2020." [Associated Press, 02/17/21]

REALITY: Most US Oil Production Doesn't Even Happen On Federal Land

76 Percent Of US Oil Production Happens On State And Private Land, Whe

Less Than 24 Percent Of US Crude Oil Production Happens On Federal Land. "A key question addressed in this discussion is how much oil and gas is produced in the United States each year and how much of that comes from federal versus nonfederal areas. Oil production has risen in federal areas (onshore and offshore) over the past 10 years but has increased at a faster rate on nonfederal lands. Nonfederal crude oil production rapidly increased in the past few years, primarily due to improved extraction technology, favorable geology, and the ease of leasing, more than doubling daily production between FY2008 and FY2017. The federal share of total U.S. crude oil production fell from its peak at nearly 36% in 2009 to less than 24% in 2017 at the same time overall production increased." [Congressional Research Service, 10/23/18]

And Oil Companies Know That. "EOG has reportedly said they are not too concerned if Interior stops leasing on federal lands, because they have a lot of opportunities in non-federal land." [Forbes, 01/27/21]

Big Oil's Feigned Worry About School Budgets Is Hypocritical. Just Last Year, The Industry Supported Slashing Royalty Rates, Costing States And Schools Untold Millions During The Height Of A Pandemic When They Needed It Most

Big Oil Supported Slashing Royalty Rates To Almost Nothing During The Pandemic, With No Regard For School Budgets

Big Oil Supported Slashing Public Lands Royalty Rates To 0.5% During The Height Of The Coronavirus Pandemic.

The Trump Administration Gave A Handout To Public Lands Oil And Gas Drillers By Offering Royalty Relief During The Pandemic. "The Trump administration has started giving energy companies temporary breaks on royalties and rent they pay to extract oil and gas from leases on public lands because of the coronavirus pandemic. The move drew quick criticism as a handout to industry that will mean less money for state governments. A Democratic lawmaker called for an investigation into whether the breaks were justified." [Associated Press, 04/20/20]

- **BLM Was "Deluged" By Requests For Reduced Royalty Rates.** "The Bureau of Land Management has been deluged by oil and gas industry requests for cutting royalty payments or suspending oil leases, according to interviews with industry sources, Interior Department documents reviewed by E&E News and advocacy groups tracking applications for coronavirus-related relief." [*E&E*, 04/20/20]

- **Interior Didn't Give Full Accounting Of The Program, But Rates Were Frequntly Cut From 12.5% To Less Than 1%.** "Interior officials have not released full information about those requests amid scrutiny of what critics have deemed a bailout to industry, prompting frustrated House Democrats to push for hard numbers. E&E News has found that state offices are currently responding to scores of companies proposing that BLM slash royalty rates down to as low as 0.5% from the standing 12.5% of fair market value for oil and gas extracted from public land." [*E&E*, 04/20/20]

API Backed The Royalty Cuts. "The government has broad authority to grant royalty reductions for both onshore and offshore oil and gas activity provided companies meet its criteria, said American Petroleum Institute vice president Lem Smith. He said the organization backs the process for granting companies relief as long as it is 'equitable, transparent and easily understood' and added that it's traditionally been done on a case-by-case basis." [Associated Press, 04/20/20]

Energy Royalties Are "An Integral Component Of Many Western States' Budgets." "While a small portion of federal government revenue, energy royalties are important to resource-rich states in the mountain west that receive about half of what Washington collects inside their borders. 'These oil and gas royalties are an integral component of many western states' budgets, and suspending their collection would have a direct negative effect on states,' the Western Governors' Association wrote in early April to David Bernhardt, a former oil lobbyist who serves as interior secretary." [*Financial Times*, 06/28/20]

- **During The Program's Implementation, Wyoming Was In The Midst Of A Historic Budget Crisis.** " Wyoming Gov. Mark Gordon will ask lawmakers to slash $500 million from the state budget in response to weak revenue from the coal, oil and natural gas industries. The proposed cuts would lay off 62 state employees and eliminate 44 vacant positions, Gordon said in a news conference announcing his regular supplemental budget Monday. The supplemental budget, approved in the in-between year of Wyoming's two-year budget cycle, used to be a chance for state agency directors to score extra funding. Not this year. Wyoming has been facing a $400 million shortfall even after Gordon cut 10% from state agencies last summer." [Associated Press, 11/16/20]

The Government Accountability Office Slammed The Program, Saying It Shortchanged Taxpayers And Was Mismanaged

A Government Accountability Office Found That Interior "Bungled" Its Royalty Relief Program. "The Interior Department bungled its controversial offer of royalty relief to oil and gas operators as the pandemic-fueled oil price crash increased financial risk in the federal oil patch, according to a Government Accountability Office report released today. The Bureau of Land Management penned the guidance in the spring during early COVID-19 surges in the U.S. to 'prevent oil and gas wells from being shut down in a way that could lead to permanent losses of recoverable oil and gas,' the report said." [*E&E*, 10/06/20]

The GAO Found That The Royalty Relief Program Shortchanged Taxpayers And Gave Relief To Companies That Didn't Need It. "But the GAO, in a report released Tuesday, said the Trump administration failed to properly take the economic viability of wells into account when deciding which wells got relief — and probably ended up offering aid to oil producers that did not need it, shortchanging taxpayers in the process." [*Washington Post*, 10/07/20]

GAO Could Not Calculate The Total Cost To Taxpayers, But Made A "Conservative" Estimate Based On Incomplete Data. "The majority of wells granted a break on payments were in Wyoming, with wells in Utah, Colorado and other places also getting some relief. But the approval rate in Wyoming was just 28 percent, while in BLM office covering Montana, North Dakota and South Dakota it was 95 percent. The total cost to taxpayers was $4.5 million in forgone revenue in May and June — though the GAO said that estimate is 'conservative.' The watchdog agency recommended the BLM evaluate the effectiveness of the relief program and update its guidance for it." [*Washington Post*, 10/07/20]