



# SMALL BUSINESS AFFORDABLE ENERGY PROJECT



## **SBE COUNCIL ISSUE BRIEF:**

# **FIVE THINGS THE ADMINISTRATION CAN DO TO INCREASE ENERGY SUPPLIES AND HELP SMALL BUSINESSES**



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# **FIVE THINGS THE ADMINISTRATION CAN DO TO INCREASE ENERGY SUPPLIES AND HELP SMALL BUSINESSES**

Small businesses have much at stake when it comes to energy policy. Already, American small businesses spend an estimated [\\$60 billion annually](#) on energy, mostly on lighting, heating, and cooling. Added to those expenses, which already constitute about a [fifth](#) of total facility expenditures for brick and mortar companies, is the rising price of gasoline. Moreover, some small and mid-size manufacturers use significant amounts of natural gas as part of their production process, meaning the availability and price of natural gas has serious consequences.

**WITH GAS PRICES RISING AND ENERGY REMAINING A SIGNIFICANT COST FOR SMALL BUSINESSES, IT'S TIME FOR THE ADMINISTRATION TO ENACT POSITIVE MEASURES THAT WILL ENSURE AFFORDABLE AND RELIABLE ENERGY SUPPLIES.**

In short, decisions about energy policy made in Washington, D.C., matter to small business owners and entrepreneurs.

Unfortunately, Biden Administration policies have been inconsistent if not counterproductive on major energy issues, especially those involving the production of oil and gas. On the one hand, the Administration has called on American energy suppliers to produce more oil and gas to help alleviate customer demand and place downward pressure on prices. In March, the president [remarked](#)

that when it comes to American oil and natural gas producers wanting to expand production, “nothing is standing in their way.” Similarly, U.S. Energy Secretary Jennifer Granholm in March also [called](#) for energy companies to ramp up production.

On the other hand, the Administration is doing everything in its power to erect barriers to more production, limit access to shale plays on public lands and in federal waters, and slow or cancel the kind of infrastructure development suppliers need to deliver oil and gas to customers both domestic and abroad. Moreover, the president’s climate envoy, John Kerry, has [stated](#) publicly that America’s natural gas sector has a future of no longer than six to ten years.

The Administration can’t have it both ways. With gas prices rising and energy remaining a significant cost for small businesses, it’s time for the Administration to enact positive measures that will ensure affordable and reliable energy supplies. The following are five steps the Biden Administration must take toward that goal.





## OPEN FEDERAL LANDS AND WATERS

About [one in four](#) barrels of oil produced in the U.S. comes from exploration and drilling on federal lands and in federal waters. In fact, activity in federal waters in the Gulf of Mexico alone accounts for about [15%](#) of American crude oil production according to the latest estimates from the U.S. Energy Information Administration and the Bureau of Ocean Energy Management. Similarly, about [10%](#) of all onshore drilling in the U.S. takes place on federal lands.

Although allowing access to these lands and waters is critical, the Biden Administration to date has yet to fully support the use of federal lands and waters for energy production, which is holding back investment and jeopardizing an important tool in the ongoing effort to meet energy demand.

For example, one of the president's first orders was to [halt new leases](#) on federal lands through the Department of Interior, taking potentially productive supplies of oil and natural gas off the table.

**THE ADMINISTRATION MUST TAKE STEPS TO OFFER MORE LAND FOR LEASING, WITH EQUITABLE TERMS RELATED TO ACREAGE AVAILABLE AND ROYALTY RATES, A MOVE THAT WILL CREATE MORE ENERGY SUPPLIES, AND WILL EVENTUALLY LOWER PRICES.**

Responding to criticism from energy suppliers, White House spokesperson Jen Psaki [argued](#) that the dormancy of 9,000 approved drilling permits was evidence that more leases weren't necessary, an argument that ignores the fact these companies can't turn on drilling operations overnight. After a lease is obtained, a permit is needed to commence operations, a process (covered later in this paper) that due to regulatory roadblocks can take upwards of ten years.

As the Wall Street Journal has [explained](#), "Producers are developing leases more slowly since they don't know when more will be available." Moreover, some approved leases simply have no resources.

Today, about two out of three leases from the Department of Interior are producing oil and gas, a high water mark for the past two decades. But the roughly [100,000 wells](#) today producing oil and gas on federal lands isn't enough. The Administration must take steps to offer more land for leasing, with equitable terms related to acreage available and royalty rates, a move that will create more energy supplies, and will eventually lower prices. Even Elon Musk agrees, [stating](#) in March that the U.S. should ramp up oil and gas production to replace supplies previously sent by Russia, which as of [March 2022](#) was approximately 17,825 thousand barrels.

In addition, the Administration must act swiftly to issue a 5-year offshore leasing program for the Gulf of Mexico and the Arctic. Department of Interior officials have slow-played the development of a new plan, which is set to expire at the end of June, jeopardizing an additional [2.6 million barrels](#) of oil and natural gas that could flow daily from now through 2040 from the Gulf of Mexico alone, according to an estimate from Energy and Industrial Advisory Partners.

Without a new plan for offshore production, the Gulf of Mexico would not only miss out on the opportunity to produce those 2.6 million additional daily barrels, but would provide an estimated [885,000 less barrels](#) of oil and gas per day, or about a third less that it currently does.



Recently, the advocacy of thirteen state attorneys general and a decision from a federal judge [forced](#) the Department of Interior to offer a lease of 80 million acres in the Gulf of Mexico. This decision protected more than just oil supplies; it ensured an [estimated](#) \$389 million in revenue to combat coastal erosion in Louisiana and hundreds of millions of dollars for conservation, education, and infrastructure projects in Gulf of Mexico states.

Instead of trying to block U.S. oil production on federal lands and in federal waters, the Administration could unlock more American energy supplies and safeguard 325,000 American [jobs](#) by reversing course on current policy and support additional oil and gas leases. Greater domestic energy production means increased energy supply, which will result in lower energy prices.



## **AVOID PUNITIVE TAX MEASURES LIKE A “WINDFALL PROFITS TAX”**

Small business owners understand that taxing something generally means you’ll get less of it. Still, a number of national leaders have called for hefty tax increases on oil and gas companies, a move that will only decrease energy production and increase prices for consumers.

For example, Senator Ron Wyden (D-OR) has [proposed](#) a “Windfall Profits Tax” that would levy an additional 21% tax on any profits above 10%. This penalty, aimed at oil and gas companies with more than \$1 billion in annual revenue, would be in addition to regular income taxes these companies pay. Wyden’s proposal follows an admission by Deputy Director of the National Economic Council Bharat Ramamurti who [revealed](#) that the White House was searching for ways to tax so-called “windfall profits” for oil and gas suppliers.

**SINGLING OUT OIL AND GAS  
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Proposed legislation from U.S. Representative Adam Schiff (D-CA) would [suspend](#) the federal gas tax and replace it with a new 50% tax, nearly three times the current amount of the federal gas tax of 18.3 cents per gallon. Schiff’s tax would levy the 50% tax on the difference between a barrel of oil today (currently over \$110 per barrel) and the former average price of \$66 per barrel. Similarly,

Senator Sheldon Whitehouse (D-RI) and U.S. Representative Ro Khanna (D-CA) introduced the “[Windfall Profits Tax Act](#)” to tax oil company profits.

In the end, such a tax only hurts consumers, including small businesses.

Actual data shows that energy suppliers are experiencing lower profit margins than other sectors. Energy companies listed by the S&P 500, for example, are earning markedly less profit than their counterparts in sectors like communications, information technology, and real estate. The Federal Trade Commission has reinforced this point in two separate investigations, [finding](#) that oil and natural gas suppliers were not artificially manipulating markets to earn higher profits.

Efforts to impose higher taxes on energy profits are not new. President Jimmy Carter [attempted](#) a similar tax in 1980, signing an excise tax of 70% on oil sales over a threshold of \$12.81. The result? American



suppliers produced less energy and the U.S. was forced to depend more heavily on imports. A [study](#) published in Economic Policy in 2018 describes the effects of Carter's tax in detail, revealing that the tax discouraged energy production. Under Carter's windfall profits tax, in fact, not only did energy suppliers not pursue additional oil and gas production, but they actually reduced the output of U.S. wells already in operation. The U.S. was forced to increase its reliance on imports.

Singling out oil and gas suppliers for significant tax hikes won't solve the energy crisis facing American business owners and other consumers. A windfall profits tax will only exacerbate the current crisis. Such tax hikes inhibit investment and raise costs thereby squeezing our energy sector and economy even further. Moreover, it must be remembered that the energy industry is dominated by small to mid-size businesses.

For example, in the drilling oil and gas wells sector, 93.2% of employer firms have fewer than 100 employees, according to the latest Census Bureau data (2019). And in the support activities for oil and gas operations sector, 94.4% have fewer than 100 employees. The dominance of small businesses is the same across all sectors of the U.S. energy industry.

Given the dynamism of the energy sector, and the role that small businesses and their employees play, one has to wonder why such policies are given serious consideration, especially since it harms the very innovation all of us want to achieve in this critical industry. A windfall profits tax will only exacerbate the current crisis.



## **SUPPORT PIPELINE APPROVALS**

It's not enough to just produce energy supplies. Supplies also must make their way to market, which requires safe and reliable infrastructure that connects often remote production areas to distribution and export hubs.

The U.S. is already the world's top producer of natural gas, producing almost [915 billion cubic meters](#) annually at the latest count. American proved gas reserves are estimated at [473.3](#) trillion cubic feet, and some believe that the U.S. might have as much as a 100-year supply of natural gas. That's because advances in exploration and production technologies, including hydraulic fracturing, have made it possible to extract natural gas from tight geologic formations such as shale and sandstone.

Evolving technologies provide hope that the U.S. can continue to lead the world in natural gas production, supplying domestic customers and helping allies worldwide transition to cleaner fuels, including supplying India and China with liquefied natural gas (LNG), for example.

But if the U.S. is to fully realize the potential of its significant natural gas production, national leaders must stop standing in the way of much-needed transportation infrastructure. It is essential that we add to the existing 2.6 million-mile [network](#) of pipelines that cross the United States.

Projects such as Train 6 at Sabine Pass in Louisiana, an effort completed in February that will allow this regional operation to produce as much as [30 million metric tons](#) of LNG annually, are vital to our nation's ability to create a vibrant LNG export industry. A new LNG export facility at Calcasieu Pass in Louisiana will

soon be completed, which means we can [store](#) as much as 516 billion cubic feet of natural gas annually, providing the U.S. with the world's largest LNG export [capacity](#), surpassing Australia and Qatar.

U.S. political leaders must begin supporting pipeline projects instead of blocking them. Not only are pipelines a faster mode of transportation for oil and gas than alternatives such as rail, but they remain the [safest](#) way to move those fuels to regional hubs and ultimately to market. One analysis found that pipelines delivered their cargo safely [99.999% of the time](#), providing a highly secure and reliable means of transportation.

Yet, the Biden Administration has fought against pipeline construction, a policy that restricts energy supplies. The president, for example, canceled the permit for the Keystone XL pipeline on his first day in office, stopping a project that would have moved up to [830,000 barrels](#) of Canadian oil daily to U.S. markets, an amount exceeding U.S. oil [imports](#) from Russia. Ironically, the president chose to support Russia's Nord Stream 2 pipeline, a major transportation project that will only solidify Russia's grip on European energy markets.

Similarly, developers [cancelled](#) the Constitution Pipeline in 2020 after continued resistance from elected leaders and environmental groups. Other projects such as the American Midstream project, the [Atlantic Coast Pipeline](#), and the Mountain Valley Pipeline met similar fates under the weight of excessive regulation and ongoing legal challenges. This situation will grow even dire, as officials at the Federal Energy Regulatory Commission (FERC) recently proposed [increased](#) regulatory barriers to natural gas pipeline projects.

Instead of blocking pipeline construction, the Administration should support revising the National Environmental Policy Act process, establishing a 2-year review limit so that important projects are reviewed and permitted in a timely fashion. This is crucial if the U.S. is to continue meeting domestic energy demand and elevate its role as an energy exporter.



## FAST TRACK NATURAL GAS PROJECTS

Natural gas continues to play a lead role in U.S. electricity production, accounting for [nearly 40%](#) of electricity generation in 2021. Once a complementary fuel source to coal and nuclear power, natural gas now produces about twice the electricity as those sources combined. This role will only become more pronounced, as natural gas demand is poised to [increase](#) 25% by 2030.

This makes it critical that national leaders establish a fast-track process that can bring natural gas projects online quickly so that they can provide reliable, low-carbon electricity to customers in time of extreme demand. As Lt. General H.R. McMaster (U.S. Army, Retired) [told](#) the House Committee on Energy and Commerce, "The first step is to stop being our own worst enemy."

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Officials at the North American Electric Reliability Corporation (NERC) have already [predicted](#) blackouts this summer, with grids in California, Texas, and even the Midwest expected to struggle meeting customer demand. In California, for example, the state's grid operator [reported](#) that power failure will likely occur if developers experience delays bringing new power sources online. Officials in California have aggressively pursued renewable energy projects as they continue supporting the closure of gas-fired and nuclear plants. Replacing [3,800 megawatts](#) of reliable power has proven difficult, meaning California's grid may be forced soon to reopen facilities such as Diablo Canyon Nuclear Plant or to build gas-fired power plants.

**IT IS CRITICAL THAT NATIONAL LEADERS ESTABLISH A FAST-TRACK PROCESS THAT CAN BRING NATURAL GAS PROJECTS ONLINE QUICKLY SO THAT THEY CAN PROVIDE RELIABLE, LOW-CARBON ELECTRICITY TO CUSTOMERS IN TIME OF EXTREME DEMAND.**

Texas officials are also [warning](#) customers about potential brownouts or blackouts, citing a lack of power capacity in extreme summer heat. The [same](#) is true across the Midcontinent Independent System Operator (MISO) territory, where system operators find themselves with 3.2 gigawatts less of generating capacity than just a year ago due to retiring coal-fired power plants

and other closures. John Bear, CEO of MISO, has [explained](#) that new technologies such as solar and wind are not coming online fast enough to replace the loss of traditional power sources.

These situations only intensify the importance of natural gas to the power grid and reinforce the need to provide fast-tracking of new gas projects. The Biden Administration could provide a much-needed remedy by establishing a streamlined review and permitting process that is capped at one year, greatly reducing the amount of time it takes to build important projects such as natural gas power plants that can strengthen grid integrity.

An estimated [246 people](#) in Texas perished in a winter storm this past year, many related to a power grid that could not produce enough power to meet customer demand. This serves as a grim reminder that we must make sound energy policy decisions that prepare us for future weather-related events. Fast-tracking new gas projects is part of the solution.



## **DON'T CEDE ENERGY SECURITY TO HOSTILE REGIMES**

With some of the world's largest reserves of fossil fuels and one of the world's most robust nuclear fleets, the U.S. is capable of securing its energy future and reducing its dependence on foreign rivals. The United States was reaching that point only a short time ago. Just as critical, the U.S. is capable of using its energy security to its geopolitical advantage, protecting our nation from hostile players and assisting our allies.

For example, Russia's recent aggression in Ukraine, one tied closely to energy supplies, has exposed the need for all nations, including the U.S., to avoid relying on energy imports from unstable, hostile nations. This is best achieved by building a strong portfolio of energy supplies at home, including traditional power sources such as natural gas, while also expanding trade agreements with allies.

Unfortunately, the U.S. has failed to take common-sense steps, such as a lack of pipeline capacity on the West Coast and a lack of refining capacity on the East Coast.

**FOREGOING GREATER  
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Instead of taking steps to increase American oil production, the Biden Administration has reacted to high gas prices by asking unstable, political rivals, to export more oil. In March, the president [sent](#) emissaries to Venezuela to discuss lifting sanctions.

Foregoing greater American energy production for more imports from hostile nations such as Venezuela is a losing strategy in the long-term. By unleashing oil and gas production on federal lands and in federal waters, building necessary infrastructure such as pipelines, and cutting down on red tape and extensive delays on energy projects, the U.S. can meet our own energy needs and serve as an energy ally to nations now counting on Russia and other belligerent regimes for energy supplies.

American businesses, both small and large, need affordable and reliable energy to spur growth, drive innovation and create jobs. Supporting, rather than undermining, domestic energy suppliers makes for sound economic policy, as well as wise trade and national security policymaking.





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