DOMESTIC ENERGY PRODUCERS ALLIANCE
DEPA
JANUARY 2024
DRILLER
DEPA REPORT ON INDUSTRY, LEADERSHIP, LEGISLATION AND ENERGY REGULATION

THE PROVE IT ACT
WHY DEPA OPPOSES IT
PROVIDING RELIABLE, OBJECTIVE, VERIFIABLE

Introduced by U.S. Senators Kevin Cramer (R-ND) and Chris Coons (D-DE) the PROVE IT Act requires the Department of Energy to conduct a study and submit a report comparing the emissions intensity of certain goods produced in the United States to the emissions of those same goods produced in the other countries.

"The United States lives up to the highest environmental standards in the world, and the PROVE IT Act is an opportunity to bolster our advantage by backing it up with verifiable data," said Senator Cramer. *"Americans know and appreciate the stewardship that goes into the energy we produce and the goods we manufacture. Quantifying global data will prove our emissions-intensive goods are cleaner here at home while highlighting the countries who monetize their lax or nonexistent standards."*

Respectfully to our friends Senators Cramer and Coons, that all sounds good. The buzzwords are there, "verifiable", "stewardship", "global data", and "cleaner", but what is next? The train of thought that the DOE report shows that the U.S. produces "it" better so, what then? We think the word "tariff" will be added to the list.

This legislation is a gateway for a carbon tax on imported goods and a domestic carbon tax. The PROVE IT Act is not a benign government measurement scheme that will exist for knowledge purposes. It would create a detailed carbon-emissions measuring system for *domestic* and foreign goods, putting into place exactly what is needed to implement a carbon tariff *and* a domestic carbon tax.

Is the government really considering developing the administrative infrastructure to impose a domestic carbon tax without following through is naïve, at best. If the United

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The PROVE IT Act and other carbon tariffs efforts show a complete disregard for what matters to Americans. They want affordable, reliable energy to power their homes and lives, not government meddling that drives up their household bills.

DC 2024
FLY-IN AND BOARD MEETING

APRIL 9 & 10
DURING THE CHERRY BLOSSOM FESTIVAL

TUESDAY, APRIL 9 – DAY ONE

10:30 am-11:30 am | Leadership Meeting (committee only) | Patton Room

12:00-1:00 pm | Group Lunch—No Speaker | Grant Room

1:00-3:00 pm | Board of Directors Meeting | Patton Room

5:30-7:00 pm | Reception | Franklin Study

7:00-9:00 pm | Dinner—with speaker | Franklin Study

WEDNESDAY, APRIL 10 – DAY TWO

8:30 am-10:00 am | Group Breakfast—with Speaker | Roosevelt Room

10:15 pm | departure on shuttle to Capitol Hill

11:00– 2:00 pm | Meetings and lunch off site today

2:00 pm | Return of shuttle to the hotel

4:30-6:00 pm | Reception | Roosevelt Room

SUBJECT TO CHANGE.
VERSION 1/30/2024

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THE PEOPLE OF AMERICAN OIL & NATURAL GAS

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DEPA believes in seeking common ground, through common sense solutions, to the challenges facing our industry. Our bipartisan approach provides a uniquely powerful voice for our members at the state and national level.

Our work is critical. Your support is vital.

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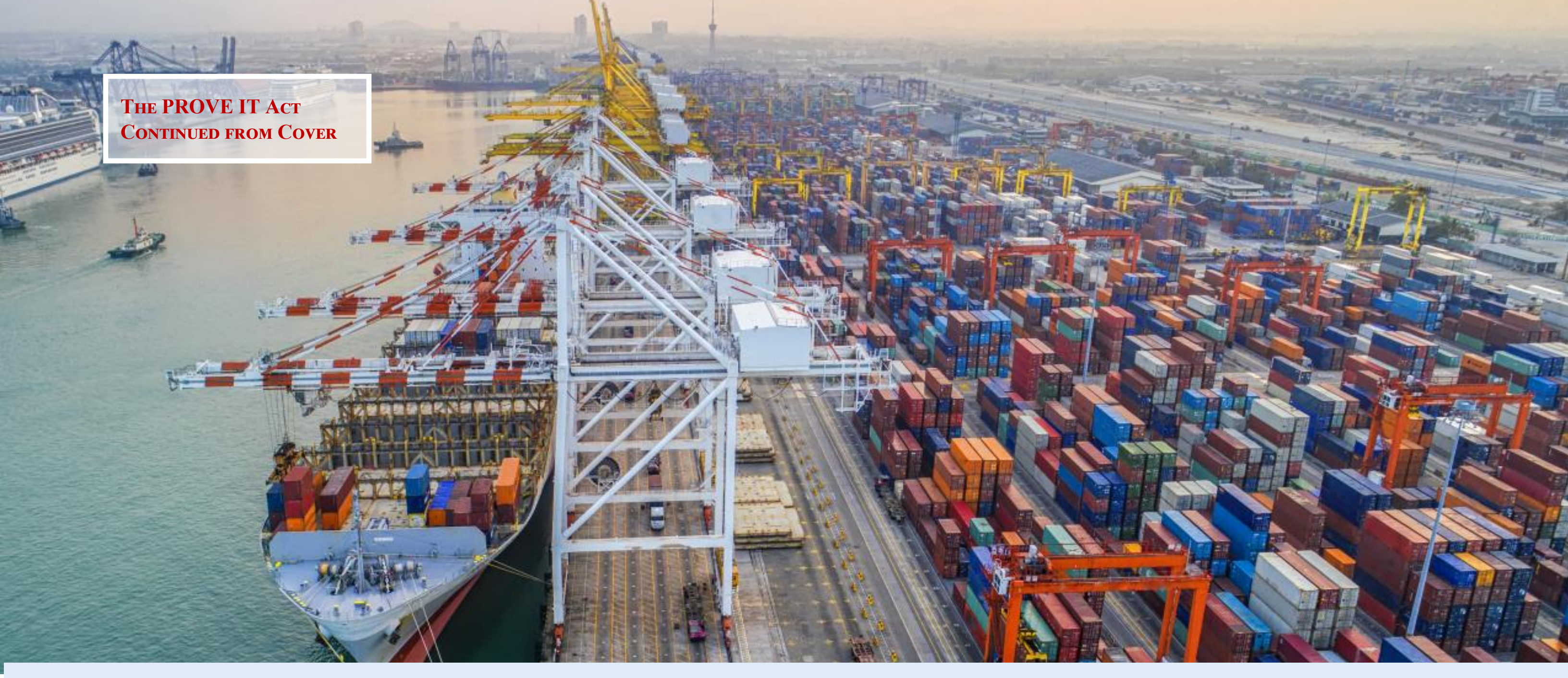

The PROVE IT Act
Continued from Cover

"The idea behind taxing imports based on the carbon emissions in the country of origin may seem reasonable at first. But anyone with a fundamental understanding of economics can tell you that domestic job creators and working Americans are the ones who will actually pay for the increased costs associated with this new tax."
— Dr. Bill Bissett, President WVa Manufacturers Association

States were to impose a tax on imports based on their carbon intensity, then there would be an expectation that domestic goods would be subjected to a comparable tax-based scheme. Infact, a domestic carbon tax might be required to meet international trade obligations.

Some proponents assert that the PROVE IT Act will help respond to the European Union's (EU) carbon tax, otherwise identified as a carbon border adjustment mechanism. The United States should push back against the EU's extreme green policies and not, under any circumstances, accept their disastrous environmental and energy policies.

The EU's carbon border adjustment mechanism and carbon tariffs are a way to impose extraterritorial regulations. Recently, we have seen these types of regulations domestically, as American farmers know all too well. Some states have imposed barriers to selling goods, such as eggs and pork, based not on the nature of the goods but due to moral and ethical preferences on how food should be produced. Just imagine foreign countries trying to impose their moral preferences on Americans by using tariffs as leverage over how the U.S. uses energy or how American farmers produce food. Carbon tariffs and the PROVE IT Act will help establish this precedent.

Maybe even worse than the imposition of all these new taxes is the purpose of the taxes. They are taxes to punish energy use. Since more than 80 percent of the world's energy comes from coal, natural gas, and oil, which produce carbon dioxide emissions, a carbon tariff is a tax on the energy that makes modern life possible. It would make medical care, housing, communications, food, and transportation less affordable, especially for people who already struggle to pay their bills. It would have a disproportionate impact on the poor and hurt those on fixed incomes, the elderly, and local institutions like hospitals, libraries, and schools.

The PROVE IT Act and carbon tariffs are not just bad policy, but bad politics. After all, supporting new taxes and opposing affordable and reliable energy is a toxic concoction. A new survey sponsored by the American Energy Alliance and the Committee to Unleash Prosperity found that most Americans opposed a carbon tariff on imported goods, with 63 percent of Republicans opposed. This opposition to paying carbon or energy taxes becomes even clearer when respondents were asked what they are willing to pay each year to address climate change. The median response was just $10, and 35 percent (including 17 percent of Democrats) said they are unwilling to pay anything. American Energy Alliance president Thomas Pyle captured the results very well: The results reconfirm what we al-

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"Tariffs will raise costs for import-dependent sectors and generally depress demand for carbon-intensive goods throughout the economy in ways that do not necessarily advance climate goals." **- US Chamber of Commerce Statement**

DEPA Joins 32 Other Signers on a PROVE IT Act Opposition Letter Sent to Congress January 16

As the Senate Environment and Public Works Committee is reportedly going to mark-up the PROVE IT Act (S. 1863) this week, the undersigned organizations want to express strong opposition to carbon tariffs and the PROVE IT Act. This legislation is a gateway for a carbon tax on imported goods and a domestic carbon tax.

It is shocking that legislators would contemplate advancing policy that would increase taxes, drive up prices for American families, harm workers and those on fixed incomes, and punish energy use.

Yet this is precisely what a carbon tariff does. A carbon tariff is two taxes in one. First, a carbon tariff is a tax on imported goods, borne by American consumers, workers, and businesses. Once the structure for imposing a carbon tariff has been established, it can then be used to impose a domestic carbon tax.

To think that the government would develop the administrative infrastructure to impose a domestic carbon tax without following through is naïve, at best. If the United States were to impose a tax on imports based on their carbon intensity, then there would be an expectation that domestic goods would be subjected to a comparable tax-based scheme. In fact, a domestic carbon tax might be required to meet international trade obligations.

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> The results reconfirm what we already knew: voters are not willing to pay any tax associated with carbon dioxide or energy – including a carbon dioxide or energy tax on imported goods. Those who believe in limited government and free energy markets continue to be allied with the vast majority of voters concerning the destructive and pointless nature of carbon dioxide taxes and on the fundamentals of the climate change issue.

As the markup of the PROVE IT Act approaches, there may be disingenuous gimmicks such as amending the bill to say it may not be used to impose a carbon tariff. Such a provision does not change the fact that the foundation would have been created to impose a carbon tariff and domestic carbon tax. Any new legislation could easily get rid of such a prohibition, and that is exactly what would happen.

The PROVE IT Act and other carbon tariffs efforts show a complete disregard for what matters to Americans. They want affordable, reliable energy to power their homes and lives, not government meddling that drives up their household bills. They don't want federal schemes that treat energy use as a sin.

We strongly urge legislators to oppose the PROVE IT Act and any other legislation dealing with carbon tariffs.

"In every region of the world, the increased use of natural gas has led to emissions reductions. The stated purpose of the new review process, which will slow LNG export approvals, is to better account for climate impacts. Less LNG on the market will mean higher emissions, and as the largest LNG exporter on the planet, the United States has outsized significance in the global gas market.

Even with this decision, Europe and Asia will still burn gas and other fossil fuels. They'll just import it from someone else. Germany announced this week it was planning to invest $44 billion in new natural gas plants. China also continues to expand its coal fleet. In 2022, China approved the equivalent of two near coal power plants every week.

Environmental activists declared victory with the decision, cheering how the announcement would curb the expansion of fossil fuels in the United States. That's not the same thing as saying it would curb global climate change — a rhetorical distinction that seems particularly notable."

— Steve Everley, Sr Managing Director FTI Consulting

CO2 Savings from coal-to-gas switching in selected regions compared with 2010, 2018

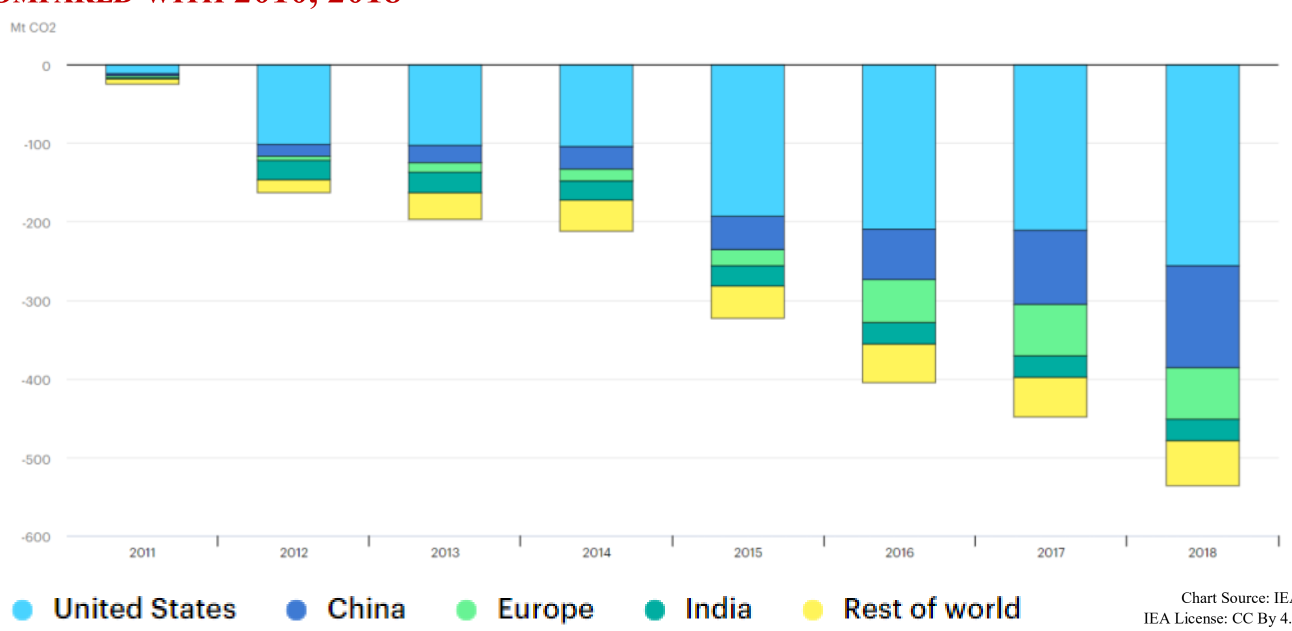

Chart Source: IEA
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Biden Pause on New LNG Export Facility Bad for Americans and Our Allies

OP/ED BY HAROLD HAMM, DEPA EXEC CHAIRMAN

WASHINGTON TIMES | JANUARY 26

It was just over a year ago Russia invaded Ukraine, and geopolitical instability broke out across the world. Russia quickly weaponized energy, limiting gas supplies to Europe to historic lows before explosions rocked the Baltic Sea, cutting off access from Nord Stream 1 and 2 in what is agreed to have been an act of sabotage.

Europe was facing a record-cold winter and on the brink of a very real energy crisis. Who did Europe turn to in this time of crisis? The world's energy superpower, of course.

American-made, clean-burning natural gas came to the rescue, keeping millions of homes heated and with power in the form of liquified natural gas (LNG).

We know that just one shipment of LNG heats a million homes for a month. Our friends at Cheniere should be celebrated for coming to the aid of Europe last winter, accounting for hundreds of shipments of exported LNG from that single company. Many other American companies participated as well. It was American-made LNG that got Europe through it.

Fast-forward to today and President Biden has slowed down the process of pending approvals of LNG exports. Nobody can figure out why he would take these actions.

This is a message to our allies that you can't rely on America. This is a policy that puts America last. Actions like this prevent America from coming to the rescue of our allies today or in the future, thereby empowering Russia once again and harming Americans and American oil and gas producers by stopping the free market.

American-made natural gas helps to insulate Americans from growing global instability by providing LNG and helping to ensure our own national security and that of our allies.

Natural gas is one of our most valuable resources in America. And it's one of the most valuable resources we can export to our allies. It has the added benefit of meeting all climate goals for lowering carbon intensity. Natural gas is a clean-burning fuel that is displacing much of the denser fuels such as wood and coal.

We know this in America.

No country has reduced its CO_2 emissions in the last two decades more than the United States. And that is a direct result of abundant, clean-burning natural gas. You want to make a real impact on air quality around the world? Hold countries like China and India accountable for the coal they're burning – and export our American LNG success story to the rest of the world – don't limit it.

When lives are at stake, it is imperative to speak up and bring common sense and reality back to the political dialogue once again. To quote Voltaire, "Common sense is not so common."

Industry letter outlines critical impacts that will be felt if halting permits for U.S. LNG export facilities

January 24, 2024

The Honorable Jennifer Granholm
Secretary
U.S. Department of Energy
Washington, DC 20585

Dear Secretary Granholm,

As trade and member associations representing the United States liquefied natural gas (LNG) value chain, we are deeply concerned the Biden administration is considering burdensome changes to the Department of Energy's (DOE) permitting process for U.S. LNG exports. Any action to halt U.S. LNG export approvals would be a major mistake that puts American jobs and allies at risk while undermining global climate goals.

The United States is the world leader in natural gas production, meeting record domestic demand and becoming the top exporter of LNG in 2023. Our nation's abundant supply of natural gas is an impactful geopolitical tool, helping insulate American consumers from increasing global instability while advancing American national interests and ensuring the energy security of key U.S. allies.

U.S. LNG blunted a potentially disastrous situation in 2022 following Russia's invasion of Ukraine, and Secretary Blinken emphasized that increased cargoes of U.S. LNG were critical to undercutting Vladimir Putin's meddling in Europe. While our European allies have made significant strides in reducing their reliance on Russian natural gas thanks to American energy producers, Europe faces a considerable supply gap over the long-term that should be met by American energy, not hostile nations. Moving forward with a pause on U.S. LNG export approvals would only bolster Russian influence and undercut President Biden's own commitment to supply our allies with reliable energy, undermining American credibility and threatening American jobs. An analysis of the President's pledge to Europe found that the benefits to the United States could include $63 billion in capital expenditures, a GDP boost of $46 billion, and 71,500 jobs supported annually from 2025-2030.

Here at home, natural gas prices remain among the lowest in the world according to the International Energy Agency (IEA). A recent economic study found that U.S. LNG exports "have not had any sustained and significant direct impact on natural gas prices." Another study determined that future U.S. gas production "can satisfy both growing domestic consumption and export demand at relatively low

In fact, while exports reached record highs in 2023, domestic prices declined 62% as U.S. natural gas production also surged to record levels—demonstrating this industry's ability to meet rising global demand for natural gas while maintaining a well-supplied domestic market.

Not only would curbing LNG export approvals hamper U.S. energy leadership and jeopardize American jobs, but it would undermine global efforts to reduce greenhouse gas (GHG) emissions. The U.S. leads the world in CO2 emissions reductions largely thanks to coal-to-natural gas fuel switching in the power sector. At a time when global coal consumption has soared to record highs, eclipsing 8.3 billion tonnes in 2022, America can export our emission reduction success story to countries still heavily reliant on coal.

DOE's National Energy Technology Lab released studies in both 2014 and 2019 that showed U.S. LNG exports for European and Asian markets would significantly reduce life cycle greenhouse gas emissions when compared to coal use. Nearly eight years of operating experience and DOE's own studies have demonstrated that LNG exports are squarely within the public interest. Throttling down U.S. LNG exports will eliminate an important tool in reducing global emissions and force quickly developing nations—specifically in Asia—to abandon plans to reduce emissions and increase coal consumption.

Our industry is proud to support our allies and global emissions goals, but the geopolitical and climate benefits of American energy exports cannot be maintained with a regulatory regime that moves at the whims of political pressure. We urge you to reject calls for DOE to prolong the review period or create new hurdles as it considers approvals for new LNG projects and terminals. This administration has already extended a process that took seven weeks during the last administration to an 11-month process on average. Restricting U.S. LNG exports any further could exacerbate the energy crisis in Europe, threaten U.S. jobs and force quickly developing nations to rely on coal for their growing energy needs.

DEPA Executive Board Member Testifies During EPA Overreach Hearing

On January 10, the Subcommittee on Environment, Manufacturing, and Critical Materials held a hearing entitled *"Protecting Clean American Energy Production and Jobs by Stopping EPA's Overreach."* The hearing was set to examine the Environmental Protection Agency (EPA) actions affecting American oil and natural gas operations, particularly those regulations and programs related to methane emissions.

Witnesses included:

- **Mr. Patrick Montalban, Chairman and CEO, Montalban Oil and Gas Operations and DEPA Executive Board Member**
- Mr. Joseph Goffman, Principal Deputy Assistant Administrator, Office of Air and Radiation, U.S. Environmental Protection Agency.
- Mr. Drew Martin, Managing Member and Director of Finance, Miller Energy;
- Mr. Mike Oestmann, President and CEO, Tall City Energy; and
- Mr. Jon Goldstein, Senior Director, Regulatory and Legislative Affairs at Environmental Defense Fund.

House Energy and Commerce Committee Chair Cathy McMorris Rodgers (R-WA) delivered the following opening remarks at today's Environment, Manufacturing, and Critical Materials Subcommittee **hearing** on the EPA's burdensome new regulations, which will increase energy costs, stifle innovation, and jeopardize thousands of jobs across the country.

"For decades, America has led the way to solve tough problems around energy and environmental protection, without sacrificing economic development, or our energy and national security.

"We've harnessed the power of nuclear energy, electrified millions of rural homes with clean hydropower, and ushered in the Shale Revolution, which continues to create millions of new jobs, bring manufacturing back to the U.S., and revitalize communities across the country.

"America is more energy secure today than ever before thanks to this legacy, which was built on the foundation of free markets, entrepreneurship, and giving people the opportunity to choose which energy sources best suit their needs.

"We are the world's leading oil and natural gas producer, the leading exporter of LNG, and have achieved this while also reducing emissions more than any other nation.

"We should be celebrating this legacy and building on our achievements."

EPA'S RUSH-TO-GREEN AGENDA

"But instead, President Biden's EPA is implementing a rush-to-green agenda which is shutting down production and forcibly transitioning the U.S. away from affordable, reliable energy.

"Efforts like the Clean Power Plan 2.0 will force states to change fundamentally how they generate electricity and raise costs across the board.

"The agency's de facto electric vehicle mandate would force Americans to buy EVs, a more expensive alternative to other options that will cede our automotive future to China.

"The EPA's latest proposal, if implemented, would impose additional burdensome regulations for methane, which would further stifle innovation, increase operational costs for producers, and increase the price of energy.

"These burdens will fall directly on American families and businesses."

ECONOMIC CONSEQUENCES

"Thanks to the policies of prior administrations, along with technological breakthroughs that have been decades in the making, U.S. oil and gas production has reached record levels in recent months.

"Despite this, the EPA is moving ahead with an aggressive 'keep it in the ground' approach, one that will increase energy costs for Americans, eliminate good-paying jobs, and

harm communities across the country that directly benefit from the industry.

"The EPA's own regulatory impact assessment of its new methane rule acknowledges the burdens it will create on energy production and affordability."

EPA MUST BE HELD ACCOUNTABLE

"Furthermore, the range of new taxes and regulations that the EPA is proposing will only increase compliance costs, putting small energy companies out of business and shutting down oil and natural gas production.

"The EPA needs to be transparent with Congress and the American public for how these new regulations would compromise U.S. energy security and affordability.

"We have a lot of questions about the impacts of this rule and serious concerns that the administration is exceeding its authority under the Clean Air Act with this latest rule.

"To ensure Americans have access to affordable, reliable energy, it's vital that we understand and take action to address the EPA's proposals and ensure America's energy leadership."

DEPA Executive Board Member Patrick Montalban Testifies

Chairman Johnson, Ranking Member Tonko, Members of the Subcommittee, thank you for holding this important hearing and for allowing me the honor of testifying before you.

My name is Patrick Montalban. I am the owner and operator of Montalban Oil and Gas Operations, Inc (MOGO, INC). Before addressing the critical issues related to methane before this committee, I would like to give you a bit of background about me and my company.

A Voice From The Heartland: MOGO And Me

I grew up in Billings, Montana. I continued my post-secondary education at the University of Montana and received a degree in Geology in 1981. I started in the oil and gas business in the early 1980s and followed my career through a number of oil and gas projects and Companies through my 40 plus years in the Industry.

I have been running MOGO for over 20 years, since the late 1990's, having taken over from my father – who started the company in the late 1950s. My son, Joseph P. Montalban, the company's President, runs it with me, and is the third generation to continue building the company.

In terms of responsibilities for MOGO, I manage the engineering and geologic operations and my son manages the financial responsibilities of the Company. We currently employ 15 full-time employees and three contract pumpers. Pumpers, as we call them, conduct the daily gauging of production along with the inspection of all oil and gas wells and any processing facilities. A pumper is essentially responsible for all maintenance and upkeep of the oil and gas properties. Thus, we maintain our own wells and production facilities. We work hard to treat our employees very well with a good wage and benefits package. Many of our employees have worked for us since I took over the company, and in some cases longer. We have been in the business for a long time, and we understand that to have a good operation, you need to have loyal employees. Our employee wages average approximately $35 to $40 per hour—a very good wage in rural Montana and North Dakota -- in addition to the following benefits: profit sharing, health insurance, short-term and long - term disability, paid vacation and sick leave, and life insurance.

We currently operate over 350 stripper natural gas wells and 150 stripper oil and enhanced recovery wells for a total of approximately 500 wells. In addition, we operate 13 natural

2024 Regulatory Committee Meetings
2:00 PM Central Time | Via Zoom

March 21 June 20

September 26 December 5

gas plants, a natural gas liquids plant and numerous producing oil fields in northern Montana. The important part to understand is that our company operates strippers oil wells with an average production of 1 to 3 barrels per day and stripper gas wells with an average of 5,000 to 10,000 cubic feet per day. We are the smallest of the small.

We are located in Cut Bank, Montana and are a local-minded, community-oriented Company. The jobs we provide generate important and necessary income to the small towns and rural communities of Montana and North Dakota. These jobs generate critical tax revenue to the local communities and counties in the State of Montana through the state's county revenue sharing program, We also generate critical tax revenues through production and property taxes to the counties and states in which we operate.

We also provide scholarships to local schools and work closely with the Cut Bank and Browning, Montana school systems, donating to educational and sporting causes, In addition, our company also makes meaningful contributions to our tribal neighbors and partners. We operate a number of properties on the Blackfeet Indian Reservation, providing important revenue in the way of taxes and royalties to the 16,500 enrolled member strong Blackfeet Nation. The main Blackfeet community is Browning -- mentioned above -- the seat of tribal government. We also are a vital source of income for tens of thousands of oil and gas royalty owners who rely on their monthly checks – many of them retirees on a fixed income – to live and pay bills. I will note that in New York – as of 2021 – there were 191,205 royalty owners, 45,900 in Ohio and 178,500 in Pennsylvania.

I am also very active in the activities of my state, having been actively involved in advancing legislation, testifying on bills affecting taxation and regulation of stripper wells. I have been involved with the Montana Legislative process for the past 30 years, as a representative for the small independent oil and gas producers in Montana. I worked with the small independent oil and gas producing community on simplifying the production tax structure and streamlining property taxes along with regulatory matters.

At heart, I am a proud small businessman, working hard to support my country and my community. I work closely with community banks, the local chamber of commerce, and other small to mid-sized suppliers to make my business thrive. As a small producer it is the community Banks that we depend on to help us finance our projects in the State of Montana. We do not have the borrowing capacity to deal with the major Banks. Our company and other small oil and gas operators like us are the "Ma and Pa" companies who are the lifeblood and backbone of the energy production in this nation that drives our economy. And we do that in a way that is committed to running operations that are environmentally responsible, while complying with the myriad of federal and state regulations currently in place.

That said, our company is the antithesis of "Big Oil." We do not have deep financial pockets with armies of staff and lawyers to address the regulatory onslaught coming out of Washington and – to a lesser degree the Montana state legislature. I am on the frontlines of ensuring a stable domestic energy supply and fighting back against threats to that supply. That is what I have spent my career doing and will continue to do. It is an important part of the reason I am here today. To make it clear, we are not "Big Oil" or part of the large producers, we are a small independent family-owned Company.

So, why is the current administration so clearly trying to make it hard and expensive for small operators to stay in business and produce the oil and natural gas that this country will need for decades to come? I just do not understand it. But I do know this: By shutting down the small producers while oil demand is high, and will be for decades, will result in shipping jobs, revenue, and a key source of supply to many of our adversaries –who ironically, cause much more environmental harm by their production process than US producers -- taking us back to increased dependency for our nation's energy supply. The energy crisis of the 1970s – and the long gas lines that came with it – which many here may be too young to remember is not a life I want to return to.

proposed rule, it was all one sided. They get submitted and that is the end of it. It makes normal folks so frustrated with Washington. Turning now to a couple of very specific concerns I have about the OOOOb/OOOc rule that was just finalized – I call it the testing and inspection rule. My biggest problem with it is that it requires every single operator to test equipment no matter how small the production. Many opera-

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READ THE FULL TESTIMONY

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More speakers.
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NAPE

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DEPA

Exhibit Booth

4531

2024 NAPE Summit Week
February 7-9, 2024
George R. Brown Convention Center
Houston, Texas

NAPE Summit is the world's largest marketplace for all energy sources. For over 30 years, NAPE has been bringing together all the players in the upstream energy industry to network, learn and innovate as they buy, sell or trade energy prospects and producing properties. With global opportunities in oil & gas, renewables, offshore, bitcoin mining, minerals and nonops, NAPE Summit is the must-attend expo of the year.

- **Preferred registrations are up 47% over last year.**
- 80% of NAPE attendees find significant value in the expo and attend every year.
- The average prospect investment is $1.1 million to $10 million.
- 32 countries have been represented at NAPE Summit.
- Over 450 companies exhibited at the 2023 NAPE Summit

THE EXPO

Day two of NAPE is the heartbeat of the summit! The Expo, starting on Thursday, Feb. 8 is where the vibrations of new business, old friends, exciting ideas, and opportunities wait for you. The expo floor is buzzing with hundreds of exhibitors and thousands of upstream energy professionals from all corners of the industry. Invest in energy deals, discover new tech or expand your professional network — you can do it all on the expo floor!

ENERGY BUSINESS CONFERENCE

NAPE Summit kicks off Wednesday, Feb. 7, with the NAPE Energy Business Conference, which now offers both business and a technical tracks featuring presentations from senior-level executives and industry leaders discussing some of the industry's most pressing topics. Attendees will enjoy extra networking time along with exclusive insights from the experts the day before the expo floor opens.

Spotlight on Technology

Frank Stepic, Chief Technology Strategist, Sabel Technology Systems Solutions

In our last article, we discussed the first step in establishing and using a Digital Twin (DT). The message, in summary, was to identify your key goals and direction for your business so that your Digital Twins focus on your biggest needs. Once established, this will allow your DTs to show a wider perspective and hopefully support predictive, operational, and/or prescriptive activities in the future.

Let's explore a few possible representations of a DT – Product, Process, and Infrastructure/Worksite.

A Physical Product

You may be familiar with seeing a product or part in a Computer-Aided Design (CAD) or blueprint. CAD became available in the 1980's and saved a lot of engineering students on campuses from carrying around tubes of paper blueprints which ultimately ended up having coffee stains, creases from folds after you draped it off the end of your kitchen table, etc. Chances were, those paper prints were also the only version that existed and could only be shared by handing to the person that needed it. I could argue that CAD drawings were our first real version of a DT with their dimensions, ratios, notes, and assemblies. A product DT can be far beyond this today. There are solutions that bridge key information to that product design such as materials analysis, fluid dynamics, process plans, structural simulations, effective lifespan analysis and more. DT's can help you see how your product is performing today and lend insights to future iterations and versions of that product. Common solutions supporting a Product DT include CAD, Product Lifecycle Management (PLM), Model-Based Systems Engineering (MBSE), advanced simulations (e.g. using computational fluid analysis), risk models, and more.

Positives of a Product Digital Twin:

Capture requirements for the product design and decisions that contributed to the finished product.
Ability to quickly distribute product information and collaborate with members across your organization.
Continued refinement of the digital product materials into new generations and versions.

Ability to associate many pieces of the product creation and support into a logical set of documents and references.

Drawbacks:

Potential software, training and ramp-up costs. Many of the tools in the Product DT space are complex in order to support various organization model needs and complex products.
Collaboration, product definitions and security require a well-rounded commitment of continued investment and support.

Takeaway: It's worth introducing your Product and Marketing teams to the concept of Product Digital Twins and evaluate solutions to help improve and speed your product innovation.

Process:

When you defined your goals, you were probably able to identify a process area where a DT could be an effective tool within your business. Turn-around times, improved quality, more cost-effective means of production are all areas where organizations have seen success. Process DTs can be complex, often merging financial, order delivery, workforce, worksite and product data to fully understand the details and constraints of a particular process. Most groups start with a small pilot process but the ultimate goal usually associated with a Process DT is OUTPUT. I think that's why Process-focused efforts seem the best fit, you can relate various parts of your business for internal goals without the risk of upsetting customers or other external factors. The positives of starting with a Process-based approach include:

- You already own some or all of the data associated with the targeted process.
- You own the schedule; you are able to utilize workshops, Lean/Six Sigma methodology, etc. to enact change.
- You know your goal, you can make changes quickly if you're not seeing results.

Drawbacks:

- You're going to need employees and subject matter experts (probably internal and external) that could siphon time away from delivery.
- You may need to procure software or other expertise that doesn't exist today.

Takeaway: Process Digital Twins are great and can reveal many improvements or opportunities for your business but, you want to ensure the benefits are worth the effort. Best advice I can provide here is to start with a small goal and targeted small pilot, take account of the results and go from there. If the results you anticipated or projected are not evident, be ready to quickly pivot to other options.

Infrastructure / Worksite:

Many of you have seen commercials or demonstrations where a software provider shows a perfect shop or worksite operation flowing in harmony with their DT. Deliveries aren't late, supply chains are not broken, the roof doesn't have a leak and equipment is only taken out of service for normal maintenance. I'm being a little rough on these representations but I'm sure there are several folks watching these with a skeptical look in their eye. Backing up a bit, it is impressive when you're able to see your worksite on a map in one place. Equipment, flow lines, bins, people, and more allow a current snapshot as well as a starting point for a centralized operational view. Extending across distances, you may be able to see real-time performance for all your sites and drill in for detailed looks.

Positives:

- Locations and worksites are a logical place to start, it's easy to envision a physical space.
- Infrastructure / Worksite DTs are a great partner to other DTs and many times can be blended for a more robust view of your business.
- Key metrics can be layered upon the applicable portion of your sitemap (e.g. Cycle Time listed on your key part/ operations called out on the site profile).

Drawbacks:

- There may be significant differences between older and newer parts of your operations; have an open approach when capturing data related to each.
- Many sites are constantly shifting, some with even day-to-day changes, making it difficult to create a clear set of data for your DT. Although complicated, this can still be modeled and yield insights for a dynamic site.

Takeaway: Infrastructure/Worksite DTs are a great place to start and can compliment many other parts of your business' enterprise. Being able to view a physical representation will also help when you want to take the next step using predictive scenarios, automation and Artificial Intelligence (AI).

You are probably already picturing the benefits that can be realized once you are able to combine a view into your business which includes products, equipment, process hand-offs & turnaround times (TaT), and itemized goals. Much of what I've described so far only represents the current way you operate. In our next article, we'll discuss the true power of generating these DTs – unlocking automation by being predictive and using the rising AI technologies.

Frank Stepic is currently the Chief Technology Strategist for Sabel Systems, supporting alignment of new technologies and capabilities with clients in multiple industries including Energy, Defense, and Aviation. Mr. Stepic has over 30 years of experience in strategic digital concepts and their implementation in high-tech manufacturing, strategic digital mergers and acquisitions, and enterprise technology planning.
The bulk of his career of 20 years was spent at General Electric where he served in roles comprising manufacturing quality, data architecture, digital transformation, mergers & acquisitions, program management, six sigma, operations, and business development.

He is currently focused on the use of technology to improve innovation in the Energy, Aviation, Additive & Organic Manufacturing, and Medical industries with the use of leading-edge technologies and the development of advanced metrics and methods.

Senators Cramer, Capito Push Back Against SEC's Burdensome Climate Disclosure Rule

U.S. Senators Kevin Cramer (R-ND) and Shelley Moore Capito (R-WV) wrote a letter to the Securities and Exchange Commission's (SEC) Chair Gary Gensler regarding its proposed rule on climate-related disclosures for publicly-traded companies to disclose their greenhouse gas (GHG) emissions and other climate change-related information.

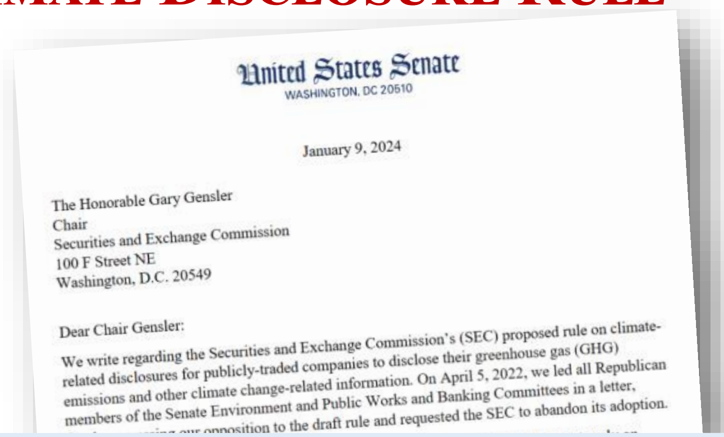
In the letter, the senators state the proposed rule pushes the Biden administration's anti-American energy rhetoric, arguing the adoption of this rule hinders domestic energy producers' access to capital and fuels even higher energy prices.

"Congress did not change the SEC's regulatory authority, and in fact, the Environmental Protection Agency is the federal agency charged with air emissions reporting and regulation. This begs the question of where the SEC's presumptive and duplicative jurisdiction comes from. Moreover, required reporting of estimated Scope 3 emissions results in substantial over counting of emissions upstream and downstream in supply chains," the senators wrote.

"In addition to the SEC's lack of authority, current securities regulations already mandate companies divulge significant risks in their annual and periodic reports. Numerous companies already voluntarily share extensive details about their sustainability practices to comply with the Supreme Court's materiality principles," the senators continued.

In April of 2022, Senators Cramer and Capito led their colleagues on the Senate Banking and Environment and Public Works (EPW) committees in a previous letter to the SEC, expressing their opposition to the draft rule and requested the Commission to abandon its adoption.

"Since our initial letter nearly two years ago, the SEC has left the business community in regulatory limbo. Recent public reporting of your comments has stated: "it appears the SEC is delaying the final rule while they try to find a legal workaround to include Scope 3." Rather than performing legal gymnastics and subjecting the American economy to further uncertainty, we reiterate our request for the SEC to not adopt a final rule," the senators concluded.



United States Senate
WASHINGTON, DC 20510

January 9, 2024

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Chair Gensler:

We write regarding the Securities and Exchange Commission's (SEC) proposed rule on climate-related disclosures for publicly-traded companies to disclose their greenhouse gas (GHG) emissions and other climate change-related information. On April 5, 2022, we led all Republican members of the Senate Environment and Public Works and Banking Committees in a letter, ... our opposition to the draft rule and requested the SEC to abandon its adoption.

Excerpt from the Senator's Letter

"This proposal serves as another illustration of the Biden Administration's strategy to rely on unelected bureaucrats to impose its radical and impractical climate agenda aimed at American energy companies. Congress did not change the SEC's regulatory authority and, in fact, the Environmental Protection Agency is the federal agency charged with air emissions reporting and regulation. This begs the question of where the SEC's presumptive and duplicative jurisdiction comes from. Moreover, required reporting of estimated Scope 3 emissions results in substantial over counting of emissions upstream and downstream in supply chains. These emissions are beyond a company's control and the reporting will only be estimates likely provided by third- parties. Commissioner Uyeda was right when he said, "Using the Commission's disclosure rules to address these social problems is not only ineffective and inefficient, it is also outside of the Commission's statutory authority and expertise."

In addition to the SEC's lack of authority, current securities regulations already mandate companies divulge significant risks in their annual and periodic reports. Numerous companies already voluntarily share extensive details about their sustainability practices to comply with the Supreme Court's materiality principles. The concept of materiality instills confidence in investors and issuers, assuring them the information disclosed by companies is not only relevant but also beneficial for fostering efficiency in capital markets. As we have previously outlined, the proposed rule would fail the materiality test and counteract capital formation. The significant costs alone may keep companies from going public or cause public companies to go private, depriving investment opportunities in pubic markets.

The proposed rule further pushes the anti-American energy rhetoric from the Biden Administration, and adoption of the rule will hinder domestic energy producers' access to capital and fuel even higher energy prices. Proposing and finalizing burdensome new regulations is the opposite of what the SEC should be doing to encourage more capital investment in American energy companies to halt inflation and strengthen our position amid realized geopolitical risks."

Sincerely,

Kevin Cramer
United States Senator

Shelley Moore Capito
United States Senator

Social Media Posts and Articles You Shouldn't Miss

Dan Haley • 1st
President & CEO, Colorado Oil & Gas Association
1h •

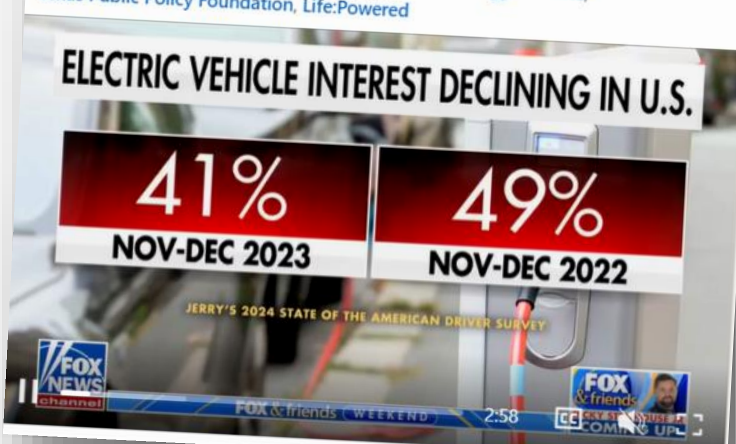
"Through various fees and taxes, the oil and gas industry in particular is associated with seven distinct streams of public revenue for the state of Colorado. A large portion of this revenue, nearly $1 billion annually, ends up in Colorado's general fund, which is another significant source of CPW's revenue. The next time Coloradans think about hugging a hunter to thank them for their contribution to wildlife management, they might consider embracing someone from the oil and gas industry too."

Doug Sheridan • Following
Curation, Commentary & Opinion | Global Energy, Economics &...
20h • Edited •

The FT writes, US shale magnate Harold Hamm of Continental Resources is leading attempts to lure an increasingly skeptical younger generation to the oil and gas industry as climate concerns and job insecurity dent the attractiveness c ...see more

Fmr. Rep. Jason Isaac • 1st
CEO, American Energy Institute; Senior Fellow, Texas ...
19h •

Why is support for electric vehicles (EVs) waning? I enjoyed visiting with Kayleigh McEnany on Fox & Friends Saturday to discuss the 4 reasons EVs aren't catching on as mandated, despite massive subsidies. American Energy Institute, Texas Public Policy Foundation, Life:Powered



PA Independent Oil & Gas Association (PIOGA)
3,296 followers
13m •

A coal-fired power plant in Kansas that was slated for closure will remain open after all to provide needed power for, wait for it: a new electric vehicle (EV) battery factory producing "clean" energy storage products.

Bjorn Lomborg
@BjornLomborg

Electricity is now so expensive that the average German used less electricity in 2023 than in 1978

Greens praise the lower emissions

but German de-industrialization is nothing to celebrate

Data: lowcarbonpower.org/region/Germany

Brian Sullivan • 2nd
Anchor @ CNBC | Digital Media, Breaking News, Jour...
2h •
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Hertz surrenders on EVs, selling huge chunk of U.S. fleet and going back to gas.

Customer demand and high repair costs the reasons.

(Wall Street Journal) -- Hertz is selling about a third of its global electric vehicle fleet, citing weaker demand for its electrified rentals.

The car-rental company said in a regulatory filing on Thursday that it would use part of the proceeds from selling about 20,000 EVs in the U.S. to purchase internal-combustion-engine vehicles.

The move represents another setback for the auto industry, which has been moving aggressively to boost sales of electric vehicles in part to meet stiffening environmental regulations around the world. It also marks a reversal for Hertz, which in 2021 bet on EVs with a 100,000-vehicle order from Tesla and plans to better stock its fleet with battery-powered vehicles.

At the time, the deal propelled Tesla's valuation over the $1 trillion mark. With shares recently around $233.94, Tesla had a market capitalization of nearly $750 billion.

Hertz said the sell-down would help it better balance supply against anticipated EV demand from customers. The company will cut out an outsize portion of lower-margin rentals and cut down on high expenses associated with EVs, Hertz said in the filing.

Fred H. Hutchison • 1st
President & CEO, LNG Allies
1d •

Tom Friedman said something in his 30 Sept. 2022 NYT column that should be printed on a billboard visible from 1000 Independence NW: "There is only one cardinal sin in the energy business: Never, ever, ever make yourself an unreliable supplier. No one will ever trust you again. Putin has made himself an unreliable supplier to some of his oldest and best customers, starting with Germany and much of the European Union. They are all now looking for alternative, long-term supplies of natural gas and building more renewable power."

DEPA PAC

Domestic Energy Producers' Alliance Political Action Committee

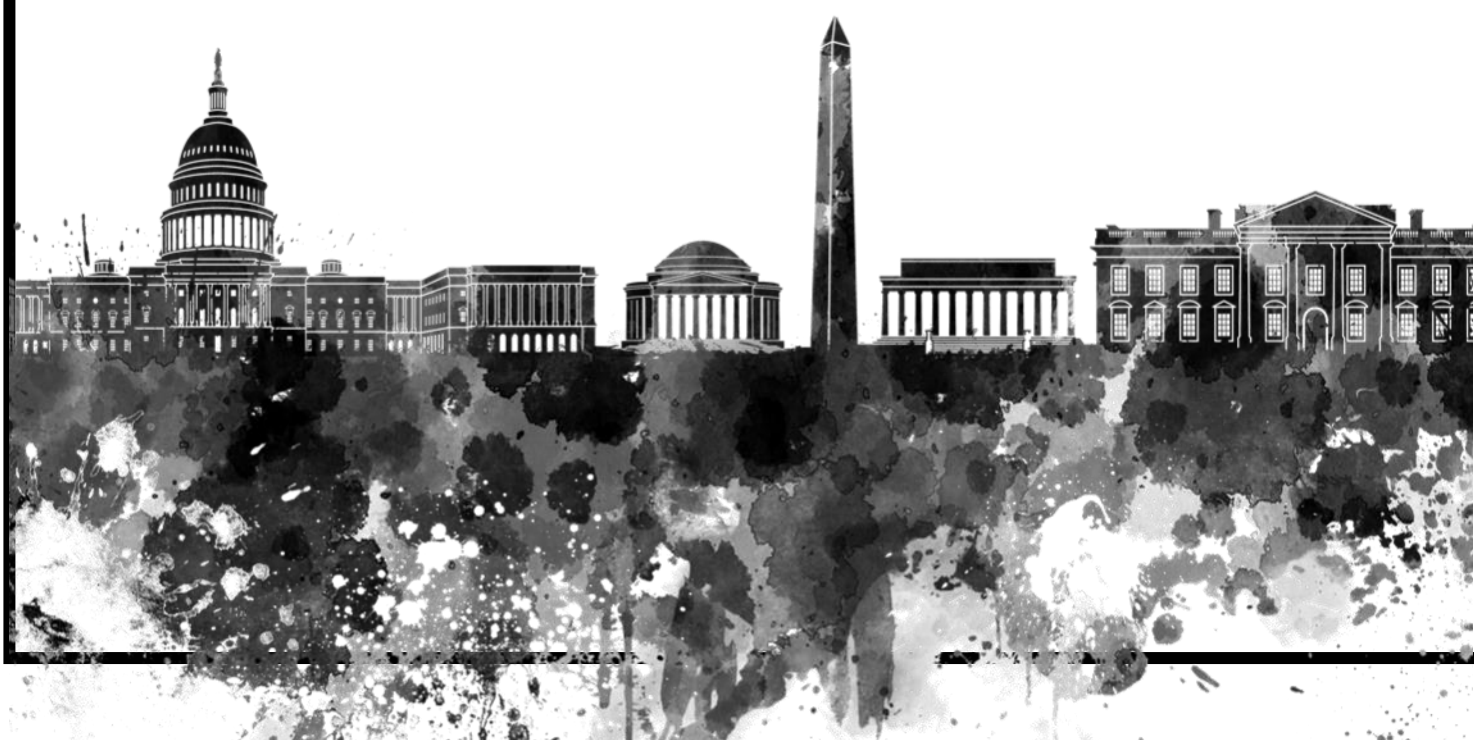
DEPA PAC Co-Chairmen | David Le Norman and Dan Boren

The DEPA PAC works to ensure there is a loud, clear voice for the industry. Reliable, clean, efficient, affordable, energy is vital to our country, and the world. We are unapologetic about being the driver of economic growth and security across the globe.

We believe the only way to accomplish our sharply focused agenda is to establish common ground. We consistently seek common sense solutions to the challenges that face us in business, including our relations with the legislative and executive branches of the Federal government.

Please support American Energy Independence with your DEPA PAC Donation.

AMERICAN ENERGY POLICY IS NOT A REPUBLICAN ISSUE OR A DEMOCRAT ISSUE. IT IS AN AMERICAN PROSPERITY AND A LEADERSHIP ISSUE.



DEPA PAC

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\- Chris Wright, Liberty Energy CEO and DEPA Board Member

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WE ARE THE PEOPLE OF AMERICAN OIL AND NATURAL GAS

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DOMESTIC ENERGY PRODUCERS ALLIANCE

Dear DEPA Members,

The welfare of the US, and the world starts with energy. Our leaders and voters need to overcome the emotional response to the inaccurate messages and keep the purpose of our industry in mind. DEPA will bring facts and clear thinking to the table where challenges are being discussed.

Please do what you can to support our efforts by donating to our DEPA PAC. PAC donation rules are very stringent. Please follow the instructions on the donation card to make your contribution.

Thank you for all you do, and for your support of DEPA, and our mission.

Jerry Simmons
DEPA President/CEO

Be assured DEPA will continue to be prepared, passionate, and persistent when it comes to representing your interests in Washington, D.C.
OUR WORK IS CRITICAL.
YOUR SUPPORT IS VITAL.
We look forward to working with you.