



IN THE PIPELINE

TEXAS PIPELINE ASSOCIATION NEWSLETTER

FALL 2022

TPA ON RRC WEATHERIZATION RULES

Few groups have worked as diligently and as long as the Texas midstream industry on securing its facilities in the event of extreme weather events – in fact 10 years before Winter Storm Uri in February 2021. This fall, TPA President Thure Cannon [issued a release](#) outlining the industry’s many efforts to winterize its facilities, as well as its diligence in working with all stakeholders to ensure weather preparedness.

Since Winter Storm Uri, Texas Pipeline Association (TPA) member companies have worked diligently to ensure that any future extreme weather events do not severely impact the Texas energy grid. This includes working with the Railroad Commission of Texas (RRC), the Texas Energy Reliability Council, Texas state legislators and other regulatory entities.

As part of the response, the Texas State Legislature passed SB 3 and the RRC has finalized rules regarding weather emergency preparedness standards for natural gas facilities, including pipelines and related midstream infrastructure.

We applaud all stakeholder’s efforts, especially those of the Railroad Commission and its staff, to ensure the integrity of the energy grid during extreme winter weather events, while continuing to maintain the ability of the energy industry to deliver a safe, reliable and affordable source of natural gas to Texas consumers.

Following a similar winter event in 2011, the midstream industry took measures to prevent freezing equipment. And – as pipelines do not freeze because they are buried sufficiently underground – there is a degree of natural insulation for much of the midstream industry’s infrastructure.

By Thure Cannon, President, Texas Pipeline Association

Consequently, during Winter Storm Uri in 2021, all midstream facilities that received electricity and gas supply sufficient to keep pipeline pressure up during the event were able to continue operations as planned. As Winter Storm Uri set a new threshold for extreme winter weather, there were nonetheless a few equipment failures at those plants. When gas supply to the plants was lost, or the plant lost electric service, it caused processing plants and compressors to shut down, and they had to be restarted when the gas supply and electricity came back on.

To help ensure the integrity of the grid, we believe that winterization is just one step in the process to ensure stability during extreme weather events. In addition, securing firm contracts for natural gas supply and transportation, as well as utilizing the state’s vast capacity for storage, are vital components of ensuring that ample gas is available when needed, while limiting the overall economic and regulatory burden to the greatest extent possible.

The midstream industry will continue to work with regulators and legislators to further prepare for any possible future winter events to ensure the delivery of natural gas to Texas homes, businesses and power generators.

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PUC REPORT ON TEXAS ENERGY MARKET DESIGN REFORM



The Public Utility Commission of Texas (PUC) energy market design report is out, having been presented to the PUC on Nov. 10. Conducted by the consulting firm Energy and Environmental Economics, Inc. (E3), the [100-page report](#) involves Phase II of the Market Design Blueprint adopted by the PUC on Dec 6, 2021. The mandate called for “a study of specific long-term market design principles, including novel hybrid designs that maintain the unique ERCOT energy-only market.” TPA is currently analyzing the report on behalf of its member companies.

MESSAGE FROM THE PRESIDENT



Friends,

Welcome to the fall edition of *In the Pipeline* (ITP). We have been running as hot as the temperature outside this summer, working on agency rulemakings, testifying at legislative hearings and preparing for the upcoming 88th Texas Legislative Session. And we couldn't do any of it without the assistance of our outstanding member companies volunteering their time and knowledge to ensure that TPA remains the most effective voice when advocating for our industry.

Since our last edition of ITP in July, TPA has testified in front of the House Energy Resources Committee (October), including a joint hearing between House State Affairs (September) and the Senate Natural Resources and Economic Development Committee (September) on issues related to the implementation of SB 3 and gas-electric reliability issues during times of extreme weather.

TPA Vice Chairman Vince DiCosimo, testified in front of both the Energy Resources and the joint Energy Resources-State Affairs Committee hearings, with TPA attorney James Mann testifying in front of the Natural Resources and Economic Development Committee on the role and benefits of natural gas storage in Texas. In addition, our General Counsel Jennifer Coffee testified at the House Committee on Environmental Regulation in Odessa (October), both on the economic impact to the Permian Basin should the EPA re-designate the area as being in non-attainment, as well as the implementation of SB 900 regarding performance and safety standards for above-ground storage vessels.

Speaking of the heat, we came off a summer where ERCOT set 11 record highs, and issued multiple conservation warnings. I applaud

the exceptional performance of natural gas and the midstream sector to satisfy unprecedented demand in light of an extended heatwave. Now that colder weather has arrived, the state's ability to withstand extreme temperatures could once again be put to the test. With the myriad reforms implemented last session, however, there is renewed confidence that both the gas and electric sectors will perform very well.

Nov. 8 has come and gone with relatively little fanfare, as Republicans took all the statewide races and maintained their majority in both chambers. Commissioner Christian won reelection and retains his chairmanship at the Railroad Commission of Texas (RRC). We are proud of the part TPA's Tex-Pipe PAC played – with the support of our generous members – to successfully continue our advocacy efforts in the political spectrum to help elect quality candidates who share our ideals.

Our Annual Board Meeting is resuming in January in-person at the C. Baldwin in Houston, with Commissioner Christi Craddick as our guest speaker. She will undoubtedly speak on the many rulemakings ongoing at the Railroad Commission and her thoughts on the upcoming legislative session.

As always, thank you for your contribution to our industry. Your commitment to ensuring a robust pipeline system makes Texas a worldwide leader in the energy economy. Please reach out when we may be of any assistance and on behalf of TPA staff, thank you for the opportunity to advocate for you and your member company.

All my best,
Thure Cannon

RRC ADOPTS NEW RULE 3.66 RELATING TO WEATHER EMERGENCY PREPAREDNESS STANDARDS

By Phil Gamble, The Law Office of Phil Gamble

The Railroad Commission of Texas (RRC) has adopted final rules that relate to emergency weather preparedness for the oil and natural gas industry. At the RRC's Open Meeting on Aug. 30, 2022, the Commissioners unanimously [approved adoption of rule 3.66](#). The final rule adopted includes several revisions from the version originally published for written comments on July 15, 2022.

The new rule implements changes required by sections 5, 6, 21 and 22 of SB 3. The Commission received 139 comments on the proposed rule, eight from associations, 24 from companies/organizations and 170 from individuals. As a result of the public comments, numerous revisions were made to the final rule. Rule 3.66 contains eight subsections.

Subsection (a) designates the applicable entities:

- (1) Pursuant to the Texas Natural Resources Code 86.044, the rule applies to a gas supply chain facility that is included on the Electricity Supply Chain Map (Texas Utilities Code 38.203) and designated as critical in rule 3.65 relating to Critical Designation of Natural Gas Infrastructure.
- (2) Pursuant to the Texas Utilities Code 121.2015, the rule applies to a gas pipeline facility that directly serves a natural gas electric generation facility operating to provide power to the Electric Reliability Council of Texas (ERCOT) power region or the ERCOT power region and an adjacent power region and is included on the Electricity Supply Chain Map.

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The Commission states in the Preamble that it will provide notification to operators of inclusion on the Electricity Supply Chain Map via certified mail, first class mail and email if the operators email and address is provided to the Commission. The Commission will continue to provide notice to operators as the Electricity Supply Chain Map is updated.

Subsection (b) contains nine definitions: critical component, gas pipeline facility, gas supply chain facility, major weather-related forced stoppage, repeated weather-related forced stoppage, sustained operation, weather emergency, weatherization and weather-related forced stoppage.

The definition of **critical component** was revised to clarify that weatherization is required only on susceptible components, whether operator-owned or leased, not on the whole piece of third-party equipment. Under the revised definition, any component, including components on equipment rented or leased from third party, that is susceptible to weather-related interruptions, such as those caused by freezing temperatures, freezing precipitation or extreme heat, the occurrence of which is likely to significantly hinder sustained operation of the gas pipeline or gas supply chain facility.

A **gas pipeline facility** is a pipeline or pipeline facility regulated by the RRC under Texas Utilities Code Chapter 121.

A **gas supply chain facility** is any facility that is used for producing, treating, processing, pressurizing, storing or transporting natural gas, as well as handling what is produced that is not primarily used to support liquefied natural gas pretreatment, liquification or regasification facilities.

The definition of **major weather-related forced stoppage** was revised to include objective criteria for the operator. The final rule defines a **major weather-related forced stoppage** as a weather-related forced stoppage during a weather emergency that results in the deliberate disregard of rule 3.66 or that results in:

- (A) A loss of production exceeding 5000 Mcf of natural gas per day per oil lease;
- (B) A loss of production exceeding 5000 Mcf of natural gas per day per gas well;
- (C) A loss of gas processing capacity exceeding 200 MMcf per day;
- (D) A loss of storage withdrawal capacity exceeding 200 MMcf per day; or
- (E) A loss of transportation capacity exceeding 200 MMcf per day.

The definition of **repeated weather-related forced stoppage** was revised to include more than one outage over a running 12-month period, instead of every calendar year.

Sustained operation is defined as safe operation of the gas pipeline facility or a gas supply chain facility such that the facility does not experience a major weather-related forced stoppage or weather-related forced stoppage in production, treating, processing, storage or transportation of natural gas.

Weather emergency is defined as weather conditions such as freezing temperatures, freezing precipitation or extreme heat in the facility's county or counties that results in an emergency as defined by rule 3.65. A weather emergency does not include weather conditions that cannot be reasonably mitigated such as tornadoes, floods or hurricanes. The RRC will issue a notice to operators when a weather emergency that triggers reporting requirements occurs.

The definition of **weatherization** was revised. **Weatherization** is now defined as the iterative cycle of preparedness for sustained operation during weather emergencies that includes:

- (A) Correcting critical component failures that occurred during previous weather emergencies;
- (B) Installing equipment to mitigate weather-related operational risks; and
- (C) Internal inspection, self-assessment and implementation of processes to identify, test and protect critical components.

Weather-related forced stoppage is defined as an unanticipated and/or unplanned outage in the production, treating, processing, storage or transportation of natural gas that is caused by weather conditions such as freezing temperatures, freezing precipitation or extreme heat and occurs during a weather emergency.

Subsection (c) defines the weather emergency preparedness standards for a gas supply chain facility or a gas pipeline. By Dec. 1 of each year, operators shall implement weather emergency preparedness measures intended to: (A) ensure the sustained operation of a gas supply chain facility or a gas pipeline facility during a weather emergency; and (B) correct known weather-related stoppages that prevented sustained operation of a facility because of previous weather emergencies.

The proposed rule included 20 weatherization preparedness measures that operators should consider. The adopted rule eliminated these preparedness measures and instead indicated that the Commission will be publishing suggested weatherization measures on its website. The rule states that weather emergency preparedness measures include:

- (A) Providing training on weather emergency preparations and operations to relevant operational personnel;
- (B) Consideration of the risk of the health and safety of employees and protection of the environment; and

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(C) Weatherization of the facility using methods a reasonably prudent operator would take given the type of facility, the age of the facility, the facility's critical components, the facility's location and weather data for the facility's county or counties such as data developed for the Commission by the state climatologist.

Subsection (d) requires a Weather Emergency Readiness Attestation to be filed by each operator on or before Dec. 1 of each year. The proposed rule required an authorized officer to sign the attestation. The adopted rule only requires attestation by an authorized representative. The attestation must include an attachment describing all activities engaged in by the operator to implement the weather emergency preparedness standards for the Dec. 1, 2022, filing and also describe corrective actions taken to mitigate known weather-related forced stoppages that prevented sustained operation because of previous weather emergencies.

Subsection (e) designates inspection criteria for gas supply chain facilities and gas pipeline facilities. Beginning Dec. 1, 2022, the Commission will begin inspections and prioritize inspections of oil and gas wells producing greater than 5000 Mcf per day of natural gas and facilities storing, processing or transporting greater than 200 MMcf per day of natural gas.

Subsection (f) establishes notification requirements for gas supply chain facilities and gas pipeline facilities. Operators of a gas supply chain facility or gas pipeline facility that experiences a weather-related forced stoppage or a forced stoppage caused by loss of electricity shall notify the Commission through the Critical Infrastructure Division's (CID) notification portal if the stoppage is not resolved within 24 hours of discovery.

Any major weather-related forced stoppage or forced stoppage caused by loss of electricity that results in the volume of loss of oil and gas wells producing greater than 5000 Mcf per day, or natural gas and facility storing, processing or transporting greater than 200 MMcf per day of natural gas, must be reported within one hour of discovery to the Commission through the CID's 24-hour emergency telephone number, as well as through the CID's notification portal.

Upon notice from the Commission, an operator that has experienced repeated weather-related forced stoppages will be required to contract with a person with related experience to assess the facilities weather emergency preparations measures, plans, procedures and operations. The person with the related experience shall not be an employee of the facility or its affiliate and shall not have participated in any assessments of the facility for at least the previous five years.

Within the time frame provided by the Commission, the operator shall submit to the Commission a written assessment prepared by the person and the facility operator's corrective action plan. The proposed rule required the assessment to be conducted by a professional engineer. The final rule revised the requirement to a person with related experience.

Subsection (g) relates to enforcement. Gas supply chain facility operators will be given notice of an alleged violation and an opportunity for a hearing. The notice will be sent by certified mail and state the facts or conduct alleged to comprise the violation. The operator will have 30 days from receipt to request a hearing. If after notice and opportunity for hearing, the Commission determines that an operator has violated the rule and the violations were not remediated in a reasonable amount of time, the case will be referred to the Attorney General and the Attorney General will assess a fine based upon the classification system established by the rule. The penalty for each violation may be up to \$1 million.

Gas pipeline facility operators will be given notice of an alleged violation and an opportunity for hearing. The notice will be sent by certified mail and state the facts or conduct alleged to comprise a violation. The operator will have 30 days from receipt to request a hearing. If the Commission determines that an operator has violated the rule and the violations were not remediated within a reasonable amount of time, the Commission shall report the violation to the Attorney General. The Commission shall assess a fine based on the classification system established by the rule. The penalty for violation may be up to \$1 million for each offense. Each day a violation continues constitutes a separate offense.

Subsection (h) allows an operator to designate certain information required by the rule as confidential. The operator is required to file two versions with the Commission. One is a completed version and the second is a version for public inspection in which the confidential information has been redacted. If the Commission receives a request under the Public Information Act for materials that have been designated confidential, the Commission will notify the filer of the request so that the filer can take action with the Attorney General to oppose release of the materials.

The adopted rule contains a Classification System to determine the severity of the violation. Points are assigned based on the violation. For example, 1 to 4 points is a class D violation, 5 to 9 points a class C violation, 10 to 14 points a class B violation and 15 or more points a class A violation. The maximum penalty for class D violation is \$3,000, class C is \$4,000, class B is \$5,000 and class A is more than \$5,000.

RRC ADOPTS RULES FOR CO2 STORAGE AND CLASS VI PRIMACY

By Phil Gamble, The Law Office of Phil Gamble

The Railroad Commission of Texas (RRC) published proposed amendments in the *Texas Register* on May 20, 2022 to implement rules concerning a Class VI UIC program for the injection of CO2 into deep subsurface rock formations. The [proposed amendments were unanimously approved](#) by the Commissioners on Aug. 30, 2022.

Last legislative session, HB 1284 established jurisdiction of the RRC over all onshore and offshore injection and geologic storage of manmade carbon dioxide, transferring TCEQ's jurisdiction for offshore CO2 storage to the RRC. The bill authorizes the RRC to adopt rules for the collection and administration of funds received for the proper management of CO2 injection wells and storage facilities. The funds are to be deposited in the anthropogenic CO2 storage trust fund established under section 121.003 of the Natural Resources Code.

The RRC is in the process of applying to the U.S. Environmental

Protection Agency (EPA) for primacy of the Class VI UIC program for the injection of CO2 into deep subsurface rock formations. The application process requires several steps, the first of which is to develop a program description and rules. This rulemaking accomplishes that goal. The newly adopted rules have been submitted to EPA as part of the pre-application process.

The next step requires a comparison of current state and federal rules and a letter from the Texas Attorney General verifying that the RRC has jurisdiction to implement the program and a letter from the Governor requesting that the program be assigned to the RRC. The final step is consideration and a grant of primacy from EPA. If ultimately approved by the EPA, primacy would mean operators would only need to apply with the RRC for Class VI permits rather than both agencies.

Currently North Dakota and Wyoming are the only states with primacy. Louisiana has a primacy application pending with EPA.

IT'S THAT TIME AGAIN – 88TH LEGISLATIVE SESSION IS JUST AROUND THE CORNER

By Jennifer Coffee, TPA General Counsel

In less than two months, we will back in the pink dome tackling plenty of familiar issues. Opening day for the 88th regular session is Jan. 10, although for some it feels like the 87th session never ended. Nearly a dozen rulemakings have either been finalized or are in the process of being so, interim committee hearings are ongoing in both chambers and the Sunset Commission's review process is well underway. And yet each day brings a new agency report, industry development or emerging issue that requires our attention. The upcoming five months of session promises to be a very busy time.

Following the conclusion of the Nov. 8 elections, the new makeup of the legislature is 86 Republicans to 64 Democrats in the House, and 19 Republicans to 12 Democrats in the Senate. In total, there will be five new senators and 27 new House members. At least one fellow House member has announced his challenge to incumbent Dade Phelan for Speaker. Statewide, Gov. Greg Abbott, Lt. Gov. Dan Patrick and Attorney General Ken Paxton held on to their seats.

Members wasted no time in getting the legislative ball rolling:

on Nov. 14 – the first day legislators and legislators-elect were able to file bills – 920 bills had been filed by 5 p.m., with many more to come until the March 10, 2023, filing deadline. Several ongoing issues we will be monitoring are related to potential reforms arising out of Winter Storm Uri, and potential tweaks to legislation enacted in 2021.

Notably, the Texas Energy Reliability Council (TERC) report, which was mandated by SB 3, was sent to the legislature Nov. 11 but has not been publicly circulated. So while we have not yet had the opportunity to review the document itself, we hear that some of the more misguided and ill-conceived ideas, like that of implementing an ERCOT “gas desk,” did not make it into the recommendations, several of the key provisions behind that concept may have. This is likely in large part due to the Sept. 13 joint House State Affairs and Energy Resources hearing, during which several key legislators strongly cautioned TERC Chair Chief Nim Kidd and former ERCOT CEO Brad Jones to stay within the confines of their authority as stated in SB 3, and not be attempting to influence policy, as that is the role of the legislature, and those conversations are to be carried out in a public forum.

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As many of you may recall, some other ideas raised since the conclusion of the last session include but are not limited to establishing an Independent Market Monitor for the gas industry similar to the one used at ERCOT; mandating the implementation of Electronic Bulletin Boards for intrastate gas pipeline systems, like those used on interstate lines; creating a voluntary and confidential mechanism in which certain participants in the gas-electric market can submit scheduled operational outages to their regulatory body so electric grid reliability might be more accurately forecasted; and the general opening up of private contracts so the terms and provisions can be analyzed by competitors for any discriminatory or otherwise non-competitive behavior. As you can imagine, some of these provisions are wholly unacceptable to TPA member companies, while others are still in discussion phases.

It is important to clarify that, despite the rhetoric of some gas generation stakeholders, the gas pipeline industry is not anti-transparency and not unwilling to come to the table to discuss all options. In fact, we have done so extensively on numerous occasions since Winter Storm Uri. But we do insist that any new regulatory proposals are fair and balanced, based on sound reasoning and common sense, and encourage policies that are clear, concise and not a detriment to an industry that continuously and reliably delivers natural gas to the state of Texas.

Of course, TPA intends to monitor conversations and filed bills surrounding all issues related to maintaining the integrity of the competitive market in Texas, pipeline safety, environmental concerns, eminent domain and any others affecting the pipeline industry. While last session TPA joined with industry partners and landowner groups to pass eminent domain reforms without jeopardizing the safe but efficient building of critical infrastructure pipelines, a number of bills have already been filed regarding the issue in some form or fashion. As always, we will track their progress and update you all.

A heartfelt thank you to all who have continued to engage with us on these issues over the last 18 months. Your expertise and counsel have made our advocacy efforts here at TPA stronger than ever. We look forward to working with you all during this upcoming session.

TPA LEGISLATIVE MEETINGS

Beginning in January and throughout the regular session, TPA will reinstate its in-person weekly legislative strategy meetings at The Chemical Council in Austin. Please stay tuned for additional details.

REP. DARBY ON THE IMPORTANCE OF THE PIPELINE INDUSTRY TO HIS TEXAS HOUSE DISTRICT, THE STATE AND THE NATION



First elected in 2006, Rep. Drew Darby (R-San Angelo) is a lifelong West Texan and native of San Angelo. He graduated from the University of Texas at Austin with a Bachelor of Business Administration, majoring in Finance and minoring in Accounting. In 1971, he earned a Doctorate of Jurisprudence from the University of Texas and is

a graduate of the Emerging Political Leaders Program at the Darden School of Business, University of Virginia.

His Texas House District 72 includes the Counties of Coke, Concho, Glasscock, Howard, Irion, Reagan, Runnels, Sterling and Tom Green.

Drew currently serves as a member of the House Committee on Energy Resources and the House Committee on Licensing & Administrative Procedures. In previous sessions, Rep. Darby has served as a member of the Legislative Budget Board, the

State Water Implementation Fund for Texas Advisory Committee, Chairman of the House Committee on Energy Resources, Chairman of the House Committee on Redistricting and as a subcommittee Chairman of the House Committee on Appropriations.

Q. You are a successful businessman – owner of Surety Title and Of Counsel to the Energy and Real Estate practice group at the law firm of Jackson Walker, LLP – yet you have taken the time to serve as an elected official and with a vital interest in the state’s energy sector. How important is it that Texas ensures the continued strength of this industry?

A. Thank you for the compliment and thanks to the Texas Pipeline Association (TPA) for being a great partner and steadfast advocate for the energy industry. It is an incredible privilege to serve the people of West Texas in the House of Representatives and as a member of the House Committee on Energy Resources.

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The Texas energy industry is a fundamental pillar of our state and economy and has been for more than 150 years. Today, energy plays a major role in making Texas a globally recognized economic engine. As a lifelong West Texan, I have seen firsthand how a thriving energy industry impacts my community and my neighbors in the Permian Basin, but it also generates economic benefits statewide. The Texas energy industry contributes thousands of jobs, generates billions in revenue, attracts new research and technology and drives development at all levels. A robust energy industry is critical to our national security too. Texas is better prepared to withstand unpredictable market events when we have a strong energy sector. Our diverse portfolio of resources and reserves helps us remain energy independent and competitive.

The interdependency of Texas' energy industry and our state's economic health means that ensuring the continued strength of this industry must be a Texas-sized priority, and it is one I commit to promoting again in the 88th Legislative Session in 2023.

Q. Are energy services a substantial source of jobs and tax revenues in your district? What benefits does it provide and why are they important?

A. Energy services are hugely important in providing long-term, high-paying jobs at all levels, as well as supply-dedicated resources of revenue in and around my district. When energy-related employment is strong, revenue areas, such as leisure and hospitality spending, for example, increase alongside to reinvigorate our communities, schools, hospitals and small businesses.

In 2021, Texas led the nation with more than 880,000 energy workers statewide, which represented 11.3 percent of all energy jobs in the United States. At the same time, the Texas oil and gas industry paid \$15.8 billion in state and local taxes and royalties, and in my district alone, oil and gas contributed more than \$31.4 million for county tax bases in House District 72. That is truly something to brag about.

Q. You have worked diligently with your colleagues on the House Committee on Energy Resources, as well as with a wide variety of state stakeholders – including TPA – to ensure the integrity of the energy grid since Winter Storm Uri. How do you think these efforts are progressing and what do you see going forward in the next session?

A. Winter Storm Uri required us to reassess the responsiveness of our entire power system during severe weather emergencies – including transmission to generation facilities to pipelines to the Public Utility Commission to the Electric Reliability Council of Texas and to the Railroad Commission – and highlighted our grid's vulnerabilities for continued reforms. I supported the plans we passed last session to prevent another devastating energy emergency and to ensure the future reliability and resiliency of our grid. I believe we are significantly more secure heading into this winter season. Still, while these efforts went far, we cannot overlook the significance of drought and extreme weather on our electrical grid. Next session, I plan to advocate for an "all-of-the-above" approach to developing all our energy resources synchronously with continuing to build out our energy infrastructure.

Q. Do you support policies that encourage the building of an essential pipeline infrastructure to deliver the oil and natural gas products that lead to lower energy prices for consumers, including for electricity and gasoline, especially during these times of high energy prices and inflation?

A. Texans deserve and demand a resilient energy portfolio that we can trust, which means everything must be on the table when it comes to developing and dispatching Texas' abundant resources for its nearly 30 million residents. I support strategic investments in our critical infrastructure, like pipelines. Texas is America's top energy producer, but we are also the largest energy consumer. We must build our essential pipeline infrastructure to deliver low-cost, reliable products to all Texas consumers.

Q. Is there any other relevant information you would like to share?

A. As Texas continues to see massive growth and increasing energy consumption, it is crucial we also invest in the above-ground essential infrastructure necessary to keep pace with demand. Congestion and inadequate transmission prevent the reliable delivery of power to customers, a problem that has, according to the Independent Market Monitor, already cost consumers \$2.2 billion through September of 2022. I prioritized legislation last session to expedite transmission projects and ease constraints, and I commit to prioritizing transmission policy again next session. Without question, reducing constraints and congestion in our grid allows all sectors, including oil and gas operators and pipelines, to more effectively move their products.

INDUSTRY NEWS

INDUSTRY MARKS CONTINUED PROGRESS ON REDUCING EMISSIONS

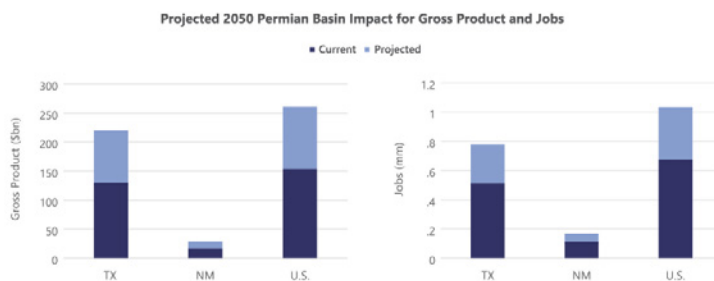


The Environmental Partnership's [2022 Annual Report](#) shows the U.S. oil and natural gas industry is continuing to make progress on reducing emissions across all six environmental performance programs – including reducing flaring, replacing gas-driven pneumatic controllers with low- or zero-emitting devices and reducing leak occurrence rates to 0.05% among the nearly 100,000 sites surveyed. The Partnership, which represents 100 companies that make up more than 70% of the U.S. onshore oil and natural gas industry, reflects a growing commitment to driving innovation, sharing best practices and increasing transparency to reduce methane emissions in every major U.S. basin.

ANNUAL OIL AND GAS TAX COLLECTIONS 88% HIGHER THAN PREVIOUS RECORD IN 2014

Production taxes paid by the oil and natural gas industry to the state of Texas broke \$10 billion for the first time in history – reaching an unprecedented \$10.83 billion for FY 2022, according to Texas Comptroller [Glenn Hegar's tax collections data](#). Oil production tax revenue was \$6.36 billion, up 84.4 percent from FY 2021. Natural gas production tax revenue was \$4.47 billion, up 185 percent from FY 2021. Said Thure Cannon, TPA president: "This is further documentation that the oil and natural gas industry is absolutely vital to the health and well-being of the Texas economy and its residents and businesses."

POWER OF THE PERMIAN IS STRONGER THAN EVER



The Permian Basin will continue to be one of the nation's top energy-producing regions in the world, according to a [recent report from The Perryman Group and the Permian Strategic Partnership \(PSP\)](#), which projects that by 2050, the region is expected to contribute up to \$260 billion in gross product and more than 1 million jobs to the nation's economy – roughly double current employment. With world energy upheaval, increased demand and other issues affecting energy independence, the Permian is more important than ever, said the authors. "As the world confronts complex and evolving geopolitical issues like the climate crisis, fallout from the Russian invasion of Ukraine and expanding global energy needs, the Permian Basin – the largest secure supply of energy in the world – remains a safe harbor of stability and opportunity."

VENTING AND FLARING EXCEPTION PERMITS PLUMMET, RRC REPORTS

Total venting and flaring exceptions issued statewide by the Railroad Commission of Texas:

FY 2021	3,351
FY 2020	4,522
FY 2019	6,972
FY 2018	5,488
FY 2017	3,708
FY 2016	4,870
FY 2015	5,689
FY 2014	5,285
FY 2013	3,092

Recently released data from the Railroad Commission of Texas (RRC) shows a [sharp decrease in the number of total venting and flaring exceptions](#) requested and issued statewide by the agency. Flaring is allowed in Texas under the RRC Statewide Rule 32 (SWR 32) in certain situations. SWR 32 delineates flaring options for operators to utilize when flaring is necessary, including exempt releases, releases authorized by rule and released authorized by exception (permit). Says the Texas Methane & Flaring Coalition – of which TPA is a member – these numbers are possible because of commitment by operators to environmental sustainability, including advanced technologies that mitigate venting and flaring, developing improvements to industry best practices, greater takeaway capacity and common-sense efforts by state regulators.

TPA NEWS BRIEFS

TPA TESTIFIES BEFORE TEXAS LEGISLATIVE COMMITTEES ON SB 3 RULEMAKING

TPA Vice Chairman Vincent DiCosimo represented TPA in testimony to a joint hearing of the Texas State Affairs & Energy Resources Committees on Sept. 13. He made many very important points about how the Texas gas market and the midstream industry operates, including that “By design, Texas decided a long time ago that we wanted to be a free market,” operating with contracts and resulting in a bilateral agreement between two parties.

He explained how the intrastate and interstate markets are vastly different. “In the state of Texas, on an intrastate basis, when an investment is made, the investment is made by individual companies without a guaranteed return” – unlike the interstate market, in which “there is a guaranteed return. So the risk is already on the pipeline industry (in Texas) to make a connection and hope that they have contracted properly to get the adequate return for the investment they are going to make. Pipelines want to move the product because we do not have fixed returns,” he said.

“On an interstate basis,” DiCosimo testified, “you go to the Federal Energy Regulatory Commission (FERC), you lay out your plan, you say this is what I need to build, this is the cost and this is what I need to charge on a rate basis for the return. They approve it or send you home to go back and work on it again. It’s a totally different model,” he said. On this and other issues, including the Permian Basin, he explained that the two markets need to be regulated in a very different manner.

“We must continue to look for ways to enhance the marketplace, not look for regulations” that may or may not improve the availability of delivering reliable energy to the state and the nation. You can find [DiCosimo’s full testimony](#) at timestamp 3:26:00. He also testified on Oct. 4 at the Energy Resources Committee hearing in Midland.

TPA TAKES PART IN NAESB DISCUSSIONS REGARDING ENERGY MARKET REFORM

TPA was a participant in a call on Nov. 8 of the North American Energy Standards Board (NAESB), in which the U.S. energy market was discussed. TPA legal counsel James Mann gave a much-needed perspective on how the Texas energy market is unique from the rest of the nation.

But first, what is NAESB? According to the group’s website, “At the urging of FERC Chairman Rich Glick and North American

Electric Reliability Corporation President and CEO Jim Robb, the North American Energy Standards Board (NAESB) is convening a multi-meeting forum to identify solutions to the reliability challenges facing the nation’s natural gas system and bulk electric system. In a joint letter dated July 29, 2022, Glick and Robb recommended that NAESB convene the forum, as outlined in one of the key recommendations from the FERC-NERC report on the February 2021 freeze in Texas and the South Central U.S. caused by Winter Storm Uri.”

On the NAESB call, Mann explained how the intrastate and the interstate pipeline markets are completely different. “In Texas, we file a construction notice with the Railroad Commission of Texas (RRC) 30 days before we start digging so that the pipeline safety people can observe it if they wish to. We can build competing pipelines (we don’t have to show anybody that there is need) and we do all that at our own risk. I have a lot of sympathy for the problems that I have heard today. We don’t have many of those problems in Texas simply because the construction and contracting in this state is not permission-based. Ours is contract-based; it is not tariff-based. Every customer has the opportunity to come in and customize the service they receive contract-by-contract,” said Mann.

“Texas is a competitive market; it is not regulation-based,” he said. “It is customer-by-customer, competition-based – and in a competitive market you don’t disclose your customers’ contracts. In fact, we have had no group of customers come to us and tell us that they think things would work better if their competitors and their suppliers knew what kind of deals they were making with us.”

“At this point,” he said, “we fail to see how an electric rate design issue that prevents generators from paying for the services that are available, can really be cured by changing how thousands of people do business in the Texas gas market.”

With regard to Winter Storm Uri and the solutions to extreme weather emergencies, Mann told the group, “We are always willing to talk to anybody about their needs” and that, in fact, TPA and its member companies have been doing that diligently since the storm.

“The pipelines have participated in numerous legislative hearings on these issues since then. We’ve had legislation enacted in the state to address gas and electric reliability. We have been through major rulemakings at all the relevant agencies and we have created a formalized version of a committee that’s been around since the Arab Oil Embargo of the 1970s which exists for the sole purpose of fostering communication between the gas industry and the electric industry prior to any sort of winter event or during any sort of emergency. All those things have been done or are being done,” said Mann.

[Mann’s comments to the group](#) can be found at timestamp 2:50:22.



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HELP SPREAD THE WORD. IF YOU'RE ON TWITTER, PLEASE TAKE A FEW MINUTES TO SHARE THESE PRO-INDUSTRY TWEETS!

Texas Pipeline Assoc @TexasPipelines · Nov 11
 "I support strategic investments in our critical [#infrastructure](#), like [#pipelines](#). We must build our essential pipeline [#infrastructure](#) to deliver low-cost, reliable products to all [#Texas](#) consumers." @DrewDarbyTX on the importance of [#oilandgas](#). [bkt.ly/3DT8rc](#)



1 2

Texas Pipeline Assoc @TexasPipelines · Sep 16
 Texas leadership shared stats at today's EnergyCouncil meeting in San Antonio. Texas tax collections at \$77.21 bn, up 25.6% – In good part due to [#natgas](#) production [#tax](#) revenue: \$4.47 bn in FY '22, up 185% from previous fiscal. @DadePhelan @DrewDarbyTX [#pipelines](#) [#txlege](#) [#Texas](#)



1 5 14

Texas Pipeline Assoc @TexasPipelines · Aug 15
 Ramping up domestic production and turning to US-made energy is the answer to the global supply and demand imbalance hitting Americans at the pump and impacting the broader [#economy](#). @APIenergy [#pipelines](#) [#energy](#) [#natgas](#) [#fuel](#) [#gasprices](#)



offshore-energy.biz
 API urges investment in expanding American oil & gas production to a...
 The American Petroleum Institute (API) believes ramping up domestic production is the answer to the global supply and demand imbalance.

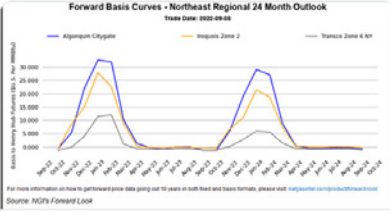
2 2 15

Texas Pipeline Assoc @TexasPipelines · Oct 4
 TPA Vice Chairman Vince DiCosimo testifying about [#pipeline](#) infrastructure readiness in front of the [#Texas](#) House Energy Resources Committee in [#Midland](#) today. [#natgas](#) [#txlege](#) [#energy](#) [#grid](#)



1 4

Texas Pipeline Assoc @TexasPipelines · Sep 9
 "FERC Urged to Support Natural Gas Infrastructure in New England Amid Winter Supply Concerns." This is a vital issue all across the nation. [#pipelines](#) [#natgas](#) [#energy](#) [#FERC](#) [#infrastructure](#) [#winter](#) [#naturalgasintel.com/ferc-urged-to-...](#) via @NGInews



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 FERC Urged to Support Natural Gas Infrastructure in New England Am...
 New England energy sector stakeholders stressed the importance of natural gas to the region's energy security on Thursday at an event ...

1 5 13

Texas Pipeline Assoc @TexasPipelines · Aug 8
 \$3.88 billion in July sales tax revenue highest in Texas history, led by oil and natural gas industry. [#natgas](#) [#oilandgas](#) [#texas](#) [#txlege](#) [#economy](#) [#taxes](#) [#revenue](#) [#pipelines](#) [#infrastructure](#) [#jobs](#) [#thecentersquare.com/texas/3-88-bil-...](#) via @thecentersquare



thecentersquare.com
 \$3.88 billion in July sales tax revenue highest in Texas history, led by o...
 (The Center Square) – The \$3.88 billion in sales tax revenue the state collected in July was the most in Texas history.

1 4

Texas Pipeline Assoc @TexasPipelines · Jul 27
 U.S. Natural Gas Production Set A New Record In 2021 via [#forbes](#) [#pipelines](#) [#natgas](#) [#texas](#) [#economy](#) [#txlege](#) [#infrastructure](#) [#jobs](#)



forbes.com
 U.S. Natural Gas Production Set A New Record In 2021
 The U.S. continues to dominate the world's natural gas markets.

3

TPA IN THE NEWS

BELOW ARE SOME RECENT MENTIONS OF TPA IN THE NEWS. NOTE: SOME PUBLICATIONS MAY REQUIRE A SUBSCRIPTION.



TPA Comment: [Biden EPA Using Faulty Emissions Data to Justify Permian Basin Regulation, Gov. Abbott Alleges, The Texan, Aug. 25, 2022](#)



TPA Comment: [ERCOT, state agencies give update on weatherization progress in Texas House hearing, Fox4 KDFW, Sept. 13, 2022](#)



TPA Comment: [Natural gas prices to rebound, Odessa American, Oct. 20, 2022](#)



TPA Comment: [Natural gas prices to rebound, yahoo!, Oct. 20, 2022](#)

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TPA 2023 BOARD MEETING DATES AND LOCATIONS

Friday, January 6, 2023

Houston, C. Baldwin

Thursday, April 13, 2023

Location TBD

Friday, July 14, 2023

Austin, Omni Barton Creek

Thursday, October 12, 2023

Location TBD

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