Message

From: Magallanes, Downey [/O=MSXBP/OU=EXTERNAL (FYDIBOHF25SPDLT)/CN=[redacted]
Sent: 11/03/2019 14:10:20
To: Streett, Mary [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=[redacted]
Subject: Re: Axios Generate: Trump's OPEC policy divide — What's next for shale — The climate change election

Redacted - First Amendment

Sent from my iPhone

On Mar 11, 2019, at 8:16 AM, Streett, Mary <[redacted]@bp.com> wrote:

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Sent from my iPhone

Begin forwarded message:

From: Amy Harder <[redacted]@axios.com>
Date: March 11, 2019 at 8:07:48 AM CDT
To: [redacted]@gmail.com
Subject: Axios Generate: Trump's OPEC policy divide — What's next for shale — The climate change election

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Generate

By Amy Harder ·Mar 11, 2019

Good morning from Houston! I'm here for a couple days to cover the big energy CERAWeek conference by IHS Markit. Are you here too? Let us know!

My latest Harder Line column looks at the divisions brewing within the administration over legislation making it possible to sue OPEC.

I'll share a glimpse of that, and then Ben Geman, who's here in Houston too, will get you up to speed on the rest.

1 big thing: Trump-world is split over OPEC

Illustration: Rebecca Zisser/Axios

Trump administration officials are divided over legislation that would allow the federal government to sue OPEC nations for attempting to control oil prices.

Driving the news: The bipartisan measure, which has been introduced many times over the last 20 years, finally has a shot at becoming law — a move that experts say would upend global oil markets.

President Trump has long been critical of the oil-producing group and years earlier backed the bill in question, but division is rampant elsewhere across the government, according to several people familiar with the dynamic.

> *"Like many things in this administration, the bureaucracy is trying to slow roll things as much as possible to keep it away from the political decision makers."*
>
> — David Goldwyn, former top energy official in State Department in Obama administration

What they're saying: Goldwyn, now president of his own consulting firm, says the policy has the makings of everything Trump likes, including expanded executive branch power and a chance to show off America's energy dominance.

> *"If he gets it, he'll sign it. If someone asks him, he'll say yes," Goldwyn says.*

Details: The legislation at issue is called the No Oil Producing and Exporting Cartels Act.

- It would give the U.S. attorney general the ability to bring lawsuits against OPEC for perceived anti-competitive conduct with petroleum commodities.
- Previous attempts to sue OPEC have lost in court.

Background: The House Judiciary Committee approved the bill last month, having done the same thing in the last Congress under GOP control.

- Republican lawmakers have asked the Trump administration since last summer for its official position on the bill, and to date they haven't gotten an answer, according to a spokesperson for Sen. Chuck Grassley (R-Iowa), one of the bill's backers.
- Congressional committees have approved the legislation several times in the past, but both presidents facing it — George W. Bush and Barack Obama — opposed it.

Trump backed the bill in his 2011 book.

- A top antitrust Justice Department official backed the bill as a private lawyer and testified to Congress in December it could lower gasoline prices.
- **On the other side**, Energy Secretary Rick Perry said recently the bill could cause long-term spikes in oil prices, and thus higher pump prices.

For the record: A senior administration official told Axios,"The administration does not have a position on NOPEC legislation at this time."

What we're watching: Oil prices and Trump's Twitter. If oil prices rise, or if they remain higher than he likes going into re-election, he could likely tweet about the bill, and if he does, experts say it would fly through Congress.

Go deeper: Read more of the whole column.

2. U.S. will "dominate" oil supply growth

Data: IEA; Chart: Naema Ahmed/Axios

The U.S. will account for the largest share of global oil production increases over the next 5 years and become an even larger player in export markets, according to an International Energy Agency report released Monday.

Why it matters: It's the latest sign that analysts see room for growth in the fracking-driven U.S. shale boom, even after years of surging output with mixed financial returns.

By the numbers: IEA's latest half-decade forecast sees the U.S. accounting for roughly 70% of the increase in global production growth, noting the U.S. "continues to dominate supply growth in the medium term."

- The report sees the U.S. adding 4 million barrels by 2024 compared to last year's production levels.
- The largest increases are slated to come from crude oil from shale formations, notably the Permian Basin region of Texas and New Mexico.
- However, the rate of growth slows considerably during the latter part of the forecast period (*see chart above*).

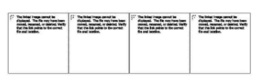
The intrigue: IEA sees some inflection points. "2019 might be the first year where investment growth in shale assets passes from independents to big oil companies. This is a remarkable change for a sector which has hitherto been dominated by smaller operators," IEA said.

On trade, the forecast sees the U.S. becoming a net export of crude oil and petroleum products (like gasoline) combined by 2021. Per the report...

> *"Towards the end of forecast, US gross exports will reach 9 [million barrels per day], overtaking Russia and catching up on Saudi Arabia."*
>
> *"The transformation of the United States into a major exporter is another consequence of its shale revolution."*

Go deeper:

- Read the whole story here.
- Experts consistently underestimate U.S. oil production
- A petro-tipping point: U.S. to surpass Saudi oil exports



3. Climate change is a thing in the 2020 cycle

Illustration: Rebecca Zisser/Axios

A CNN-Des Moines Register poll released over the weekend found that 80% of voters likely to attend the Iowa caucuses want candidates to talk "a lot" about climate change, making it tied with health care atop the list of topics polled.

Why it matters: The poll, which also found strong support for the Green New Deal (albeit in a question on pretty friendly terms), is the latest sign that climate is emerging from its second-tier status in U.S. politics.

So that brings me to a weekend piece in the Axios stream. Axios' Alexi McCammond reports...

The big picture: Climate change is on everyone's minds in a way that it wasn't in 2016. The worst thing to be as a Democratic presidential candidate, according to some youth environmental activists, is a "climate delayer" — someone who doesn't recognize the urgency in addressing climate change.

- **That's why the 2020 Democrats** are under so much pressure to make climate a dominant issue and to embrace the GND. It's also why the Democratic nominee will be sure to force the issue against Trump, who's still denying the growing evidence of a warming planet.

Go deeper: Read Alexi's full story.

4. Big this week: Tesla and oil geopolitics

It's a busy week in the energy world. Here are a few things we're watching...

Electric vehicles: On Thursday, Tesla will unveil its Model Y, a small SUV, in California. We wrote about the upcoming rollout here.

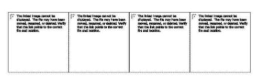
Oil markets: The Energy Information Administration's latest short-term outlook arrives tomorrow, while IEA's closely watched monthly oil market report lands Friday.

Energy: As Amy noted, this week is the big annual CERAWeek by IHS Markit conference in Houston.

- Attendees including major oil company CEOs, the OPEC secretary general, and top U.S. officials including the heads of EPA, DOE and the State Department. Look for coverage this week in this newsletter and the Axios stream.

Federal budget: The proposed White House budget is expected to again seek deep cuts in DOE's renewables and efficiency programs.

- And again, nobody expects Congress to go along, but as Bloomberg's Ari Natter notes, it "represents an opening bargaining position for negotiations by the White House."
- **Quick take:** Even a dead-on-arrival budget is a sign of where things stand. Advocates of low-carbon energy R&D and commercialization programs say the U.S. should be substantially expanding its efforts, but the budget fight opens a period of huffing and puffing to win what are likely to be modest increases at most.



5. Unpacking Tesla's flip-flop

From the life-moves-pretty-fast files, Tesla said yesterday that it's hitting the brakes on recently announced plans to shutter almost all of its retail stores.

Why?

> *"Over the past two weeks we have been closely evaluating every single Tesla retail location, and we have decided to keep significantly more stores open than previously announced as we continue to evaluate them over the course of several months," the company said in a post.*

The intrigue: Tesla also said it will need to raise its prices by roughly 3% worldwide. "In other words, we will only close about half as many stores, but the cost savings are therefore only about half," the company said.

Our thought bubble, per Axios' Joann Muller: Tesla is destroying the value of its brand with a series of flip-flopping decisions on vehicle prices and its store presence. It's not a long-term strategy and instead smacks of desperation as the company tries to find a path to sustained profits.

6. One Permian thing: traffic

U.S. Route 285 in the Permian Basin between Orla and Pecos. Courtesy: Bloomberg's Javier Blas

The Permian Basin, 75,000 square miles in western Texas and southeastern New Mexico, is hosting perhaps the hottest oil boom on the planet.

There are plenty of metrics, but sometimes just watching is important. That led Axios' Steve LeVine to point out the video above that Bloomberg's Javier Blas shot as he passed through the region over the weekend.

What a boom looks like, via Steve:

- The Permian currently produces about 4 million barrels of oil a day, as much as a medium-size petro-state, and experts see lots of room for growth. This includes a Citibank analyst quoted by CNBC who sees it reaching 8 million in several years.
- It's primarily behind the astonishing U.S. leap in oil production and is also an engine of growing U.S. exports. The consultancy Rystad Energy says combined exports of crude oil and petroleum products are poised to overtake Saudi Arabia by the end of the year.
- Among the eccentricities of the oil rush — the $180,000-a-year barber, per WSJ.

Axios' Dan Primack provides a daily briefing on deals across PE/VC plus insights and analysis on what they mean. Subscribe here.