



AMERICAN PETROLEUM INSTITUTE  
**Ohio**

Ohio Senate Energy and Public Utilities Committee  
**The Honorable Steve Wilson, Chairman**

Opponent Testimony on  
**Substitute House Bill 6**  
**June 27, 2019**

Chairman Wilson, Vice Chair McColley, Ranking Member Williams and members of the Senate Energy & Public Utilities Committee - thank you for the opportunity for API Ohio to provide written opposition testimony on Substitute House Bill 6 (Sub HB 6).

The API is the only national trade association representing all facets of the oil and natural gas industry, which supports 10.3 million jobs and 8 percent of the U.S economy. Our 628 members – from large integrated oil and gas companies to small independent companies – comprise all segments of the industry. API member companies are producers, refiners, suppliers, retailers, pipeline operators and marine transporters as well as service and supply companies providing much of the nation’s energy.

During the first meeting of this committee in the 133<sup>rd</sup> General Assembly, the desire to develop a comprehensive energy policy for the state of Ohio was expressed. Those in the audience were asked to provide input, by way of questions, to help form the state’s energy policy platform, with the idea being to weigh any future proposal against those questions. We applauded the Senate’s leadership in starting an important conversation, long overdue, and submitted a list of five questions for consideration on May 14<sup>th</sup>, 2019 (attached).

However, it was disappointing that during yesterday’s unveiling of Sub HB 6, the changes were being described as a “comprehensive energy policy for Ohio’s long-term future.” We believe that the bill, unveiled as “everyone wins,” severely misses the mark in providing the state with a forward-looking approach to a comprehensive energy policy for the state. As an organization that represents an industry that supports more than 260,000 jobs<sup>1</sup> in Ohio and has brought more than \$74 billion in investment to our state since 2011 in just one sector of our industry<sup>2</sup>, we can tell you our industry loses under this proposal.

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<sup>1</sup> *Impacts of the Natural Gas & Oil Industry on the U.S. Economy, 2015 PWC*

<https://www.api.org/~media/Files/Policy/Jobs/Oil-and-Gas-2015-Economic-Impacts-Final-Cover-07-17-2017.pdf>

<sup>2</sup> *Shale Investment Dashboard in Ohio Q1 and Q2 2018, Cleveland State University’s Maxine Goodman Levin College of Urban Affairs.* <https://www.jobsohio.com/wp-content/uploads/2019/04/Shale-Investment-Dashboard-in-Ohio-Q1-and-Q2-2018.pdf>

To be clear, we have not asked for anything in this bill. As stated in our “comprehensive energy policy” questions submitted in May, API supports an all-of-the-above, level-playing field approach to energy policy and to specific policies impacting electricity generation – including those regarding natural gas, nuclear, coal, wind, solar, and other renewables. We are opposed to subsidies of any kind for any form of energy. Policies must allow markets to drive generation decisions rather than government subsidies and mandates, which distort competition and choice in the energy markets and inevitably result in inefficiencies and higher costs for the energy consumer. Substitute House Bill 6 continues to violate the principle of fair and free-market competition in several ways, as it still authorizes a monthly charge paid by all Ohio customers to compensate nuclear electric generating facilities and also permits electric distribution utilities to recover the net impact of their ownership interest in two coal plants operated by the Ohio Valley Electric Corporation (OVEC) – including one plant located in Indiana.

The State of Ohio is a leader in the American oil and natural gas shale revolution. According to the Ohio Department of Natural Resources, total natural gas production in Ohio rose 1,715.5 percent between 2006 and 2016, from 79.2 billion cubic feet in 2006 to 1,437.3 billion in 2016.<sup>3</sup> The Ohio Development Service Agency notes that the continuing development of oil and gas extraction in Ohio valued at \$6.97 billion and ranked fifth in the nation at 4.3% of national output helped push Ohio to third in total goods production in the United States.<sup>4</sup> Progress continued in the first quarter of this year as natural gas production in the Utica Shale increased 14.57 percent over the first quarter of 2018, while oil production increased nearly 30 percent year-over-year during first quarter 2019.<sup>5</sup> This progress in the development of Ohio’s natural resources was not brought about by government subsidies and higher costs imposed on Ohio consumers. Rather, the Ohio shale revolution was borne out of promoting innovation and ingenuity that brought about technological advancements in horizontal drilling and hydraulic fracturing.

During this period of significant growth in natural gas production in Ohio, the use of natural gas for electricity generation has experienced substantial growth around the country. Over the past 15 years natural gas deliveries to electric power consumers has doubled.<sup>6</sup> And, according to the U.S. Energy Information Administration (EIA), the share of total U.S. utility-scale electricity generation from natural gas-fired power plants will rise from 35% in 2018 to 37% in 2019 and

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<sup>3</sup> Ohio Department of Natural Resources, 2018 <http://oilandgas.ohiodnr.gov/>

<sup>4</sup> Ohio Development Services Agency, Ohio Research *Office Gross Domestic Product from Ohio, September 2018*, 17. <https://development.ohio.gov/files/research/E1001.pdf>

<sup>5</sup> Ohio Department of Natural Resources, Division of Oil and Gas Resources, *Ohio’s Utica Shale First Quarter Production Totals Released* May 31, 2019 <http://oilandgas.ohiodnr.gov/division-updates/post/ohio-s-utica-shale-first-quarter-production-totals-releasedd>

<sup>6</sup> U.S. Energy Information Administration, *U.S. Natural Gas Deliveries to Electricity Consumers*, May 31, 2019 <https://www.eia.gov/dnav/ng/hist/n3045us2a.htm>

38% in 2020.<sup>7</sup> If the market is allowed to operate without unfair intervention and distortions of the kind proposed in Sub HB 6, the State of Ohio remains poised to continue to provide this foundational fuel for our nation and to build on the economic growth of the past decade. Between 2011 and 2017, core shale-related industry employment increased over 98%, with the Central region outpacing the second-closest region (South) by more than double in the largest percentage employment rise.<sup>8</sup> Policies that promote increased taxes, burdensome regulations and unfair subsidies such as those included in this bill will serve to stifle competition and deter continued investment in Ohio. The above-market subsidies provided to nuclear generation in this legislation will place natural gas generation at a disadvantage, place an unfair burden on Ohio consumers and job-creators and threaten Ohio's significant advantages in today's new American energy paradigm. **The bottom line is this:** this is not a "comprehensive energy policy." Substitute House Bill 6 picks winners and losers at the expense of an industry that has been one of the most significant contributors to Ohio's economic growth over the past decade.

Finally, we'd impress upon the committee that this week, according to public reports, Ohio Attorney General Dave Yost is deposing FirstEnergy Solutions' leaders and debtors "about their comments that the restructured company that emerges from bankruptcy will have to close power generation facilities if debtors are unable to obtain state subsidies." It is reasonable and should be prudent that the state legislature, on behalf of Ohio ratepayers, determine if a "qualifying nuclear resource" is in "need" of program payments well BEFORE ratepayers are asked to bailout this bankrupt company rather than AFTER as currently drafted.

We are hopeful the committee will set this bill aside and take the time to craft a comprehensive energy policy to promote fairness across the energy value chain, by fairly supporting a level playing field among Ohio's competing energy sources to the benefit of Ohio energy consumers.

API Ohio stands ready to work with this committee and fellow state leaders in that endeavor.

Enclosure:

API Ohio Comprehensive Energy Policy Questions 5.14.19

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<sup>7</sup> U.S. Energy Information Administration, *Short-Term Energy Outlook*, June 11, 2019  
<https://www.eia.gov/outlooks/steo/>

<sup>8</sup> Ohio Department of Jobs and Family Services *2017 Annual Ohio Shale Report*  
<http://ohiolmi.com/OhioShale/2017AnnualShale.pdf>