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How Likely is Joe Biden to Enact Green, Real Change?

Experts foresee a slew of obstacles but also opportunity for the oil and gas industry to join the movement toward increased innovation.

By Joseph Markman, HartEnergy.com Tue, 11/10/2020 - 12:00 PM



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For oil and gas pros drowning in angst over the election of Joe Biden as the 46th president, an energy litigator offers this advice: chill.

"Sorry to disappoint but it does not matter who wins this election as far as the energy industry is concerned," George H. Lugin IV, shareholder, director and president of Houston-based Hall Maines Lugin PC, told Hart Energy before Biden was projected as the winner. "Bigger factors are at play. Short-term regulatory tweaks, renewable credits and tax changes are not drivers."



George H. Lugin IV
(Source: Hall Maines
Lugin PC)

After all, [ConocoPhillips Co. just bought Concho Resources Inc.](#) and [Pioneer Natural Resources Co. just merged with Parsley Energy Inc.](#) with nary a thought as to who would win the election. Of course not. That's not how this industry works.

"All energy companies (most formally known as oil and gas companies) know they must plan five, 10, 20, 50 years out to survive," Lugin said. "Those plans are only minimally impacted by who is in the White House for the next four years and only in the short term."

The real impact, he said, is the pandemic, climate change and the impact of social sentiment on fossil fuels. Whether the U.S. continues to rely on fossil fuels, countries like China, Russia, Brazil and others will, and Europe will not.

"There is a fissure opening between East and West, developed and emerging nations," Lugin said. "It will not be remedied by one piece of the puzzle, the direction the U.S. must head regardless of who is president."

Going Green

That direction is for this country as the world's technology innovator, he said, to lead the way to cost-effective greener energy production.

This will happen during the Biden administration despite the failure of the "green wave" to show up in the general election, much to the chagrin of environmentalists. The change might not happen quickly, given the Democrats apparent failure to gain a majority in the Senate.

The Biden-Harris Transition website (<https://buildbackbetter.com>) promises investment in "critical clean energy technologies, including battery storage, negative emissions technologies, the next generation of building materials, renewable hydrogen, and advanced nuclear—and rapidly commercialize them, ensuring that those new technologies are made in America."

The site also returns to Biden's campaign theme of creating union jobs in rebuilding the country's infrastructure, though it did not mention anything related to fossil fuels. Still, the American Petroleum Institute's (API) Mark Green seized on that theme in a recent blog post about the Keystone XL pipeline.

"TC Energy, the pipeline's builder, said the [\$1.6 billion in contracts] represent more than 7,000 union jobs in 2021, with additional 2021 contracts to be announced that will push the jobs number north of 8,000," Green wrote.

For its part, API congratulated the president-elect on Nov. 7, stating that "In key battleground states and races across the country, Americans voted for U.S. energy leadership and the millions of jobs and economic benefits it provides."

Tim Tarpley, vice president for public affairs at the Petroleum Equipment and Services Association (PESA), echoed

Lugrin's view that the oil and gas industry is not headed off a cliff.

"The first thing to remember is that elections have consequences," he wrote in an analysis. "There will be policy changes with a new administration. However, it doesn't mean that we're facing a disaster."

Change, Tarpley stressed, creates opportunities, and the oilfield services sector has shown itself to be adaptable.

What has not changed since the election is the prevalence of COVID-19, despite news that a Pfizer vaccine has so far shown itself to be effective in clinical trials.

"If Trump would have won re-election, most in the energy industry presumed business will return to as usual, except it looks like it will be at least one and a half to two years before we would have seen a measurable increase in prices to \$50/bbl," Michael Hurst, partner with Lynn Pinker Hurst & Schwegmann in Dallas, told Hart Energy.

"Regardless of who is president, there is simply a lot of excess oil capacity that needs to come back online with OPEC," Hurst said. "COVID-19 decimated usage and folks in the industry will tell you that usage needs to increase to pre-COVID levels, and that likely will not happen until at least six months after COVID-19 gets under control and a vaccine is readily available, is proven to be effective and people are comfortable getting vaccinated. Even with a return to pre-COVID demand and use, I would expect to see a further decrease in domestic production."

Many in the industry believe that the U.S. will buy more overseas oil and there will be increases for consumers in costs of gasoline, heating oil and electricity, he said, but none of this is in the near term. Until COVID is under control, there will continue to be an oversupply of oil, Hurst said.

Not So Fast

Biden can expect to have a Republican majority on the Federal Energy Regulatory Commission (FERC) for at least a while. Only three of the five seats are filled, all by Republicans. On Nov. 6, Trump demoted Neil Chatterjee, replacing him as chairman with James Danly.

The incoming administration is expected to lean on FERC to push through some of his policy without new legislation, Reuters reported. That includes the decarbonization of the power grid by 2035.

Change won't be felt everywhere. In Texas, Republican newcomer [Jim Wright beat Democrat Chrysta Castañeda](#) by 10 percentage points in their race for a spot on the Texas Railroad Commission, the state's oil and gas regulator.

"Ms. Castañeda's campaign received an infusion of \$2.5 million from the billionaire Michael Bloomberg in hopes that a Democrat would win a seat on the three-member commission for the first time in the 21st century and prompt more oversight on climate-related issues like methane flaring," Henry Fountain of the New York Times wrote in the newspaper's Climate Forward newsletter. "Mr. Wright, who was supported by the oil and gas industry, was criticized by environmental groups for promoting fringe theories about climate change and renewable energy."

The chances of Biden being able to put significant change into effect quickly will depend in no small part on the outcomes of two runoff elections for the Senate in Georgia. Democrats would achieve a 50:50 split in the chamber if challengers Jon Ossoff and Raphael Warnock are able to defeat Republican incumbents David Perdue and Kelly Loeffler on Jan. 5. That would give Democrats control of the Senate because Vice President-elect Kamala Harris can break ties with her vote.

That scenario is possible but at this juncture it would appear to be a heavy lift for the challengers to win both seats. Though it is shifting, Georgia is still a traditionally red state. Perdue, who edged Ossoff by about 90,000 votes, would

have eclipsed 50% of the vote and won the race had Libertarian Shane Hazel not gathered 2.3% of the vote.

Warnock did lead the field of 20 candidates in the special election, beating Loeffler 32.9%-25.9%. However, Republican Rep. Doug Collins also garnered 20% of the vote, which presumably go to Loeffler in January.

The other scenario would shift the heavy lifting back to Biden.

On climate change, the new president would "have to grapple ... with undoing the Trump administration's climate and environmental rollbacks, a regulatory process that could take years," assessed the Washington Examiner. "And as his federal agencies look for new ways to regulate greenhouse gas emissions, a Biden administration would undoubtedly face challenges from industry and Republican-led states who oppose heavy-handed mandates."

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Joseph Markman, senior editor for Hart Energy's Digital News Group, manages coverage of Markets and Policy & Regulations.

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