By: Alex Mills **April 7, 2016**

Federal Agencies Increase Regulation Of Oil Industry

The Wall Street Journal ran an op-ed piece on April 5 by Paul H. Tice with the headline "Kicking the Oil Business When It's Down."

Tice, senior managing director and head of the Energy Capital Group at USCA Asset Management LLC, points out that crude oil prices have declined drastically and the industry is struggling. Thousands of workers have lost jobs, companies have cut budgets and tried to refinance debt, and bankruptcies are back in the news with more to follow.

"Despite the strategic importance of oil and gas production to the U.S. economy and even its national security, however, the Obama administration has continued to push its climate-change agenda, leading to new rules, regulations and restrictions on fossil fuels," Tice wrote. "The net effect will be to raise companies' operating costs and limit their financing options."

Since 2015, there have been an overwhelming number of new regulations proposed by bureaucratic agencies.

The Environmental Protection Agency has taken the lead with its Clean Power Plan, ozone restrictions, a methane rule for new equipment that was quickly expanded to include all oil and gas operations, changes to the "waters of the U.S." regulation, and it continues with its study of hydraulic fracturing.

The Bureau of Land Management has issued new drilling and hydraulic fracturing requirements on federal and Indian lands, which is being challenged in the courts.

The U.S. Fish and Wildlife Service has hundreds of animals and plant species listing proposals that threaten development activities and a newly proposed definition of "critical habitat" that would greatly increase the agency's authority to expand areas that receive designation. The agency justifies the change as being part of the administration's climate change initiatives.

The Occupational Safety and Health Administration (OSHA) have modified several regulations that expand liability for violation of its rules throughout the oil and gas industry with criminal penalties in some cases. OSHA has changed its regulations of oil field operations to make the operators of the wells liable for accidents on the lease even if the injured person is a subcontractor. It also issued an alert for possible health hazards associated with tank gauging and exposure to silica.

The president even went so far as to propose a new $10.25-per-barrel tax on oil produced in the U.S. when oil was selling for about $30.

Tice states that the most damaging threat to the industry comes from the administration's pressure on the banking system, which has dampened the credit available for energy companies. "Oil and gas development is capital-intensive and marked by a depleting resource base and a continuing need for external financing, particularly when commodity prices are low," he said. "Access to credit is the industry's Achilles' heel."

The Obama administration is behind bank regulators' current aggressive approach to energy lenders.

President Obama proclaimed early in his administration that he was going to change the way we use energy. Little did we know that he would try to achieve these goals by regulating the oil industry out of business through the power of federal bureaucracies.

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