

# What Does the Election Outcome Mean for the Oil Industry?



MEDLOCK

**“When you have a divided Congress, it’s hard to imagine anything substantive shifting.”**

**N**ovember’s midterm elections in the United States brought a split decision and gave the country a divided Congress.

The potential effect of the vote on the oil and gas industry and U.S. energy policy is also a toss-up, according to Kenneth Medlock III.

“That’s an open question at this point. It’s difficult to say, to be honest. It can go two ways,” he said.

Medlock serves as senior director of the Center for Energy Studies at the Baker Institute for Public Policy in Houston, as well as an adjunct professor and lecturer in the Economics Department at Rice University.

After the Democratic Party secured a comfortable majority of seats in the House of Representatives, one possible outcome is for Democrats to launch intensive investigations of President Donald Trump’s executive actions and of activities in the Republican-controlled Senate, Medlock said.

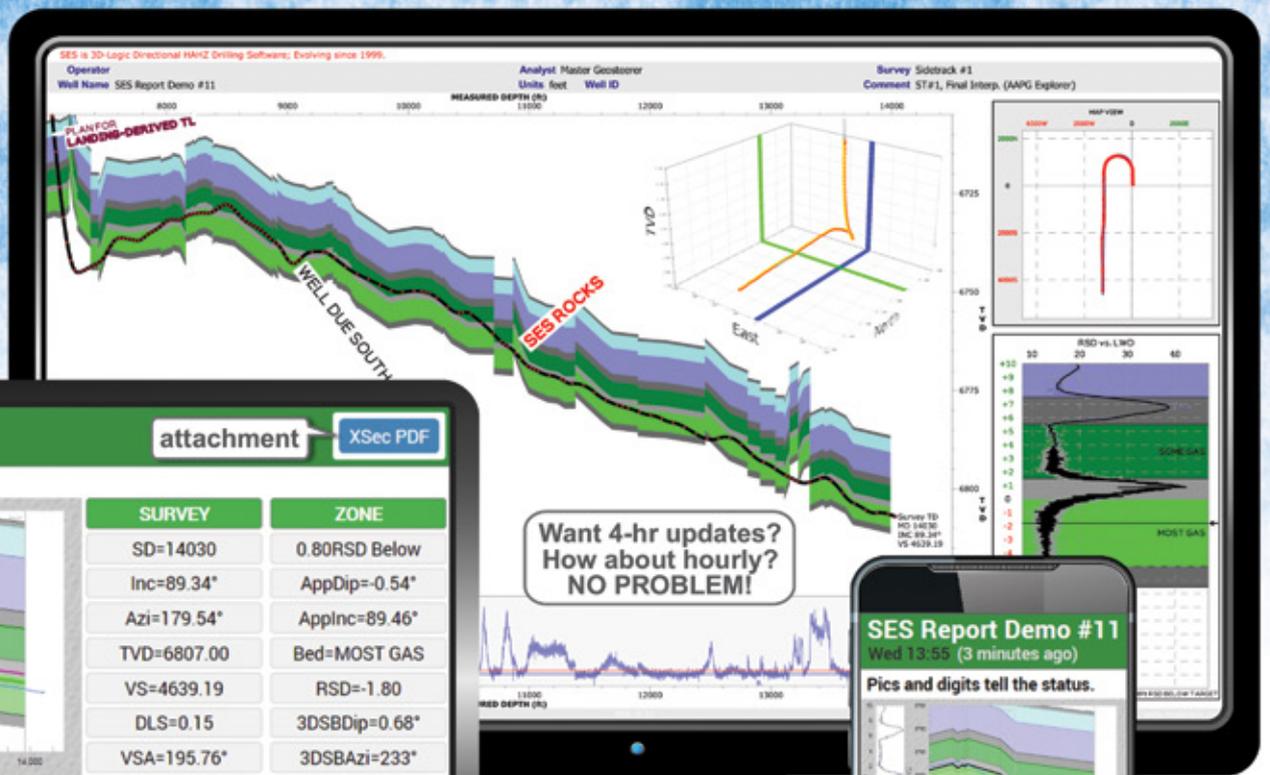
“You can see if the Democrats use ‘the power of the subpoena,’ things could get nasty over the next couple of years,” he noted.

Medlock said he would feel personally disappointed if inter-party squabbles dominate the next two years of U.S. politics, because Congress would have wasted a chance to form bipartisan alliances and forge a more united government.

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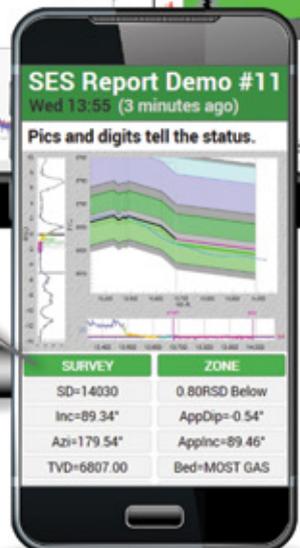
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**Energy Independence and Global Warming**

“If you take the optimist’s view, you can get to some progress and that would be an infrastructure bill,” he said. “A lot of people are talking about an infrastructure package, which could be beneficial to the oil and gas industry and the electric energy business.”

Action on an infrastructure measure would most likely be especially good for midstream investment, for pipelines and energy transmission, Medlock observed.

Two other areas likely to be affected by the Democrat’s new House majority are regulatory reform and climate change discussions, he said.

“The anti-oil and gas-rhetoric could increase, especially given the anti-regulation efforts of the Trump White House over the past couple of years,” he said.

Climate change has been almost ignored as an issue by the Trump administration and the Republican-controlled Congress during the past two years. Medlock expects that to change in 2019.

“In the House at the committee level, there will be a lot of movement on the climate front,” he predicted. “You’ve already heard some conversations about hearings over the withdrawal from the Paris climate accord, and the Clean Power Plan, and things like that,” he said.

In addition, some Democrats have talked about bringing back and reinvigorating the House Select Committee on Energy Independence and Global Warming, to raise the profile of climate change as a legislative issue.

**State-level Measures**

In the United States, initial regulatory power over the oil and gas industry generally resides at the state level. A number of measures affecting the industry were on state ballots during the midterm election, and results there also were mixed.

The most closely watched state proposals probably were an effort to ban offshore drilling in Florida’s state waters, an initiative to introduce a carbon tax in the state of Washington, a well-setback proposition in Colorado and two renewal-energy ballot questions in Arizona and Nevada.

In Florida, voters approved state Amendment 9 by almost 69 percent, according to posted results, easily meeting the supermajority requirement of more than 60-percent approval. The amendment bans drilling for oil or natural gas in the state’s territorial waters.

Environmentalists strongly supported the proposal, but many observers said endorsement by the state’s tourism industry and lingering memories of the Deepwater Horizon oil spill likely led to the high approval margin.

Nationally, Amendment 9 probably was best known as a strange hybrid that combined a ban on offshore drilling with a ban on electronic-cigarette vaping in workplaces.

Voters in Washington state rejected Initiative 1631, which would have put a tax of \$15 per metric ton on carbon emissions, beginning in 2020 and increasing by \$2/metric ton per year.

The ballot question generally drew opposition from the oil and gas industry, and an editorial in the Seattle Times newspaper urged a “No” vote. A coalition of environmentalists, unions, health advocates and billionaires Michael Bloomberg, Tom Steyer and Bill Gates supported the initiative.

Colorado voters defeated Proposition 112. The measure would have required most new oil and gas wells to be at least 2,500 feet from homes and other occupied buildings, except on federal land.

Opposition was led by the Colorado Oil

and Gas Association.

“We appreciate our fellow Coloradans’ support for responsible energy development. This measure was an extreme proposal that would have had devastating impacts across the state on jobs, education and numerous other programs important to each of us,” said Chip Rimer, chair of COGA’s board and senior vice president of global services at Noble Energy.

Proposition 127, a renewable energy initiative, was defeated by Arizona voters by almost 69 percent. The proposal would have increased Arizona’s renewable portfolio standards each year until reaching 50 percent in 2030. Opposition came mostly from the electric utility industry.

Ballotpedia estimated that almost \$55 million was raised between the support and opposition campaigns on Proposition 127, a total that made it the most expensive ballot proposition in the state’s history.

Nevada voters passed renewable-

energy initiative Question 6 by more than 59 percent, calling for electric utilities to generate half of their electricity from renewable sources by 2030. Nevada’s current RPS is 25 percent of electricity from renewables by 2025.

Ballotpedia noted that initiated constitutional amendments in Nevada have to be approved in two even-numbered election years to become effective, so Question 6 would need to be approved again in 2020 to amend the state constitution.

**Stalemate, Not Checkmate**

At the national level, several groups are pushing carbon-tax plans and a number of carbon fee-related bills have already been introduced in Congress, without success. Medlock thinks the odds of a federal carbon tax being approved remain slim.

“There is momentum gaining for passing a carbon tax, but I don’t see that happening”

during the next two years, he said.

“If you can’t get sufficient support on a carbon-tax measure in an environmentally-oriented state like Washington, the chance of getting a carbon tax passed at the federal level is not that good,” Medlock noted.

And he called Florida’s vote to ban offshore exploration in state waters “a paper tiger, because nothing is going on there anyway.”

The most probable effect from the midterm vote is some form of continued, overall congressional gridlock, Medlock said, with political factions more likely to reach stalemate than checkmate.

“It’s almost in a lot of ways laissez-faire: Let the market figure it out. It’s hard to imagine the pendulum swinging so far that we aren’t in the same place two years from now,” Medlock observed.

“When you have a divided Congress,” he said, “it’s hard to imagine anything substantive shifting.” 

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