

Please **OPPOSE** Senate Bill 181 “Protect Public Welfare Oil and Gas Operations”

The notion that there has been no meaningful reform to oil and gas regulation in 60 years is a complete fallacy. Colorado’s laws have evolved to create the most robust regulations in the United States. The industry has participated in over 15 rulemakings since 2008.

Permitting Moratorium and Rulemakings

The most problematic piece of this legislation is that its language calls for a halt to all permitting of existing and new applications until every rulemaking outlined in this bill has been completed and each of those rules are in effect. This bill requires a minimum of six rulemakings, all of which will be very complex and will take significant resources and time, likely years. After a rulemaking takes place, the rules often don’t go into effect for months to come. ***This will serve as a de-facto moratorium on all new oil and gas development for the foreseeable future. It represents a multi-year ban on oil and gas permitting.***

Local Control

This bill would give local governments full authority to regulate all aspects of oil and gas regulation, including total control over siting, technical operations, air quality, groundwater and other issues. The state’s authority over regulation would effectively be the floor, with local governments having the ability to regulate as far past that as they deem fit. This will create a patchwork of regulations that change from stoplight to stoplight throughout our state and in many cases, municipalities whose goal is to ban all development of Coloradans’ mineral property, will ultimately be successful in doing so. A local government, such as Boulder County who supported Proposition 112, will be able to overturn the will of the voters and implement setbacks as outlined in Proposition 112. ***The Colorado voters were clear on their view of Proposition 112.***

- With no guardrails on how far a local government can go with regulations, they will be allowed to regulate to the point of incapability of compliance and this has the potential to serve as a de-facto ban on development. There are 64 counties in Colorado, if even 20 of those counties all create their own air quality departments, likely with little expertise or science, the onerous business environment created in our state will have a chilling effect on all future energy investment.

COGCC Mission and Commission Reform (Sections 6, 7, 8)

The bill seeks to adopt the standard unanimously rejected by the Colorado Supreme Court less than two months ago in *COGCC v. Martinez and* will create significant ambiguity around the interpretation of the changes associated with these sections. Of highest concern, this bill will no longer require the Commission to consider cost effectiveness and technical feasibility when regulating the industry. This is an unprecedented overreach and will inevitably promote a regulatory body that places standards on an industry that are impossible to comply with. Codifying an arbitrary regulatory standard and removing any reasonableness from regulatory standards creates an unprecedented environment in which to try to do business.

Air Quality (Section 3)

The bill directs the Air Quality Control Commission (AQCC) to adopt rules to minimize emissions during the full oil and gas fuel cycle. This directive is redundant as the AQCC already has the authority to do so

and methane emissions from development are already strictly regulated. Colorado has the most stringent air quality rules in the country and while production has increased greenhouse gas emissions have decreased. Colorado just completed a rulemaking in 2017, and as a direct result the industry is working in good faith with the commission and the environmental NGO's on the Pneumatic Controller Task Force and the Statewide Hydrocarbon Emission Reduction workgroup. A broad, all-encompassing rulemaking would likely upend the progress being made.

- The bill requires continuous monitoring equipment be installed at all oil and gas facilities. This equipment is not commercially available in all scenarios, and when it is, it is not always economically feasible.

Statutory Pooling

This bill imposes a majority-ownership threshold prior to an operator being able to submit a pooling order. Pooling is a protective mechanism for mineral owners who desire to have their minerals developed. A majority threshold removes this protection and will provide an avenue for anti-development individuals to potentially prevent development.

Financial Assurance

The bill requires the Commission to undergo a rulemaking to address Financial Assurance. This is an unnecessary provision as the Commission is already set to undergo a rulemaking by September of 2019, as a directive of the Orphan Well Executive Order Governor Hickenlooper issued in 2018. This bill mandates areas the Commission must consider in this rulemaking. Financial Assurance is a very complicated topic and all options should be considered during a rulemaking.

- It is also concerning that local governments will have the authority to double dip costs associated with Financial Assurance. As we have seen in the past, some local governments will try and enact provisions and requirements for financial assurance, that will not only be impossible to comply with, but no underwriter would write that bond.

Disclosure of Pipelines and Flowline Integrity

The public disclosure of all oil and gas facilities, including subsurface facilities, creates a road map to terrorists and criminals and has the potential to cause large public safety concerns. We should be protecting our critical energy infrastructure, not developing plans for extremists. This bill would require the Commission to revisit their flowline rules. The Commission undertook an extensive rulemaking in 2017/2018 to address flowline integrity and testing of those flowlines. There is a flowline integrity management workgroup that also exists as a result of that rulemaking.

Colorado Business Environment

This bill is a direct threat to hundreds of thousands of jobs, billions of dollars of state revenue and hundreds of millions in education funding. This is the most extreme example of legislative overreach that our state has seen in recent memory, and the introduction of this bill sends a shocking message to the rest of the business community in Colorado.