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Statement for the Record

**House Energy & Commerce Energy Subcommittee Hearing on “Reviving our Economy: COVID-19’s Impact on the Energy Sector”
International Association of Drilling Contractors (IADC)**

June 15, 2020

The International Association of Drilling Contractors has represented the global natural gas and oil drilling industry since 1940, and currently serves its 1,100+ members by providing industry-leading conferences, technical resources, accreditation programs and advocacy. Now in its 80th year, IADC is dedicated to promoting innovative technology and safe drilling practices that bring oil and natural gas to the world’s consumers. IADC welcomes companies that share a commitment to improving safety, advancing drilling technology and enhancing personnel competence, and represents a wide range of businesses and organizations across multiple sectors.

IADC greatly appreciates the Subcommittee’s efforts to highlight the unique hardships the COVID-19 pandemic has brought to the American energy industry and its millions of dedicated workers. As Americans everywhere find themselves adapting to new and abrupt challenges, IADC’s drilling contractor member companies are some of the hardest hit during this economic decline.

Since March 13th, over 65% of all U.S. land rigs have been idled due to loss of demand from COVID-19 restrictions and the flooding of the oil market by America’s adversaries. With each onshore rig supporting 22 direct jobs, and each job supporting an average pay of \$60,000, a total of \$1,320,000 in direct worker salary is lost when just one rig is idled. This figure does not include losses of the many ancillary jobs that indirectly support our natural gas and oil drilling contractors through food, lodging, and other service roles, estimated at three jobs for every one rig job. With over 520 land rigs idled nationwide, nearly 46,000 Americans contributing to the upstream industry are currently out of work and more than \$686,400,000 in wages have been lost since March. In addition, 34% of our nation’s offshore rigs are currently idled with a loss of more than 1,500 jobs (100-200 jobs per offshore rig) and over \$90,000,000 in wages. In a historical context, this is the industry’s worst period of job and revenue loss since the 1986 collapse.

At the state level, the situation is even more bleak. Since March 13th, we have seen rig losses of 89% in Wyoming, 86% in Alaska, 79% in North Dakota, 76% in Oklahoma, 72% in Texas, and 57% in West Virginia. While some of IADC’s members have been able to retain employees due to help provided in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act),

many companies are not able to sustain these significant losses for the long-run and will have to make critical decisions in the coming weeks and months.

At this time, IADC believes the best way policymakers can provide relief to our energy workers is by continuing to promote a data-driven approach to reopening the American economy that emphasizes public health and worker safety. Despite Congress' best intentions to legislate relief for affected sectors, a return to pre-pandemic economic activity and energy demand is the only way to stem the tide of energy industry job and revenue losses. Ultimately, what drilling contractor companies need is their customers, the operators, to undertake new drilling projects. That will put the drilling companies who own and operate the rigs, and their dedicated employees, back to work.

In lieu of a fully open and recovered economy, IADC's members request measures that provide more liquidity to help them with their cash flow. Specifically, these could come in the form of deferral of payroll taxes, or specific tax measures, including section 282 of the IRS code regarding net-operating losses (NOLs), or section 163j to relax interest expense limitation rules.

Finally, IADC would like to take this opportunity to highlight a long-time IADC member, Noble Corporation, an offshore drilling contractor company with operations in the Gulf of Mexico, for the way they have responded to the COVID-19 pandemic. In response to the developing shortage of medical safety equipment at local hospitals due to COVID-19, Noble donated much-needed gloves, N95 masks, face shields, goggles, chemical and Tyvek™ suits to the Houston Methodist Hospital system. The spare equipment was stored on the rigs Noble Jim Day and Noble Danny Adkins located in Port Aransas, TX. A team of Noble employees traveled to the rigs in the first month of the pandemic to gather, inventory, transport and deliver the materials to the hospital system. This is just one example of how IADC member companies have stepped up to help their communities in times of need.

IADC appreciates the Members of this Subcommittee for their efforts to face this crisis head on, and thanks the Subcommittee for holding this hearing to emphasize the unique and profound effects COVID-19 has had, and continues to have, on the American energy industry.