

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members, Committee on Small Business Subcommittee on Rural Development, Energy, and Supply Chains

FROM: Committee Majority Staff

DATE: March 27, 2023

RE: Subcommittee Hearing Titled: “Highlighting the Role of Small Businesses in Domestic Energy Production”

On **March 29, 2023, at 10:00 A.M. (EST)**, the Committee on Small Business Subcommittee on Rural Development, Energy, and Supply Chain will hold a hearing titled “**Highlighting the Role of Small Businesses in Domestic Energy Production**” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to hear stories directly from small business owners about the federal policy challenges and concerns they face as domestic energy producers in the United States.

I. Witnesses

- Mr. Lucas Gjovig, President of GO Wireline
- Mr. Nick Powell, Chairman and Owner of Colt Energy
- Mr. Ed Cross, President of Kansas Independent Oil and Gas Association
- Mr. Dan Conant, Founder and President of Solar Holler

II. Background

According to the Rules of the House of the Representatives for the 118th Congress the House Committee on Small Business “*shall study and investigate on a continuing basis the problems of all types of small business.*” The goal of this hearing is to hear directly from a diverse group of small businesses and allow them to explain their roles in domestic energy production and the issues that threaten American energy independence.

The U.S. Energy Information Administration (EIA) reports that oil and natural gas supplied 68 percent of the United States’ energy in 2022.¹ Studies of the direct economic impacts of the oil and natural gas industry show that it supported 11.3 million American jobs in 2019, accounting

¹ KS INDEP. OIL & GAS ASSOC., STATE OF THE OIL & GAS INDUSTRY (Jan. 2023) <https://kioga.org/wp-content/uploads/2022/01/State-of-the-Oil-Gas-Industry-January-2022.pdf>.

for 5.6 percent of total U.S. employment.² That means more than 1 in 20 jobs were supported by American energy. Every direct job in the natural gas and oil industry supports an additional 3.5 jobs elsewhere in the U.S. economy.³

There are many issues currently facing the oil and gas industry that are threatening this sector of the economy. While inflation continues to soar, regulatory hurdles hurt our struggling economy. The American Gas Association warned that an average family's natural gas bill would see a 17 percent increase if small businesses were taxed on methane emissions.⁴ Small businesses do not have the economies of scale of larger businesses to absorb increased costs and are often worse off when regulatory costs are increased.

One way to help alleviate some of the issues facing this industry is through permitting reform. This would make it easier and take less time for the private sector to carry out energy exploration, production, and transportation of these resources. This is a critical component to provide reliable and affordable energy for the American people. The permitting process is severely outdated and heavily regulated, causing confusion and extreme delays. According to the U.S. Chamber of Commerce, every year, infrastructure and major facilities projects are stalled, cancelled, or lose funding because of a dysfunctional permitting process that allows for endless delays.⁵

Without permitting reform, the U.S. will not meet its energy or climate goals, including unlocking more than \$3 trillion in clean energy investments over the next decade.⁶ American oil and natural gas production is an essential part of any successful long-term strategy to meet our security and energy needs.

Additionally, small energy companies continue to face issues accessing capital. With many financial institutions and public companies considering Environmental, Social, and Governance (ESG) criteria in their investments, small fossil fuel companies are often left behind.⁷ Fossil fuels still meet 75 percent of our energy needs and small producers still need financing options in order to meet those needs.⁸

A nation dependent on foreign powers is a nation at risk. Regaining our energy independence is crucial to ensuring our national security. Not only does energy independence boost the economy, create jobs, and lower costs for American families, it ensures that we are not a nation reliant

² PRICEWATERHOUSE COOPERS LLP FOR AM. PETROLEUM INST., IMPACTS OF THE OIL AND NATURAL GAS INDUSTRY ON THE US ECONOMY IN 2019 (Jul. 2021).

³ *Id.*

⁴ Letter from American Gas Association, *et al.*, to Chuck Schumer, Senate Majority Leader, *et al.* (Sep. 7, 2021).

⁵ Lydia Wheeler, *House bill aims to streamline environmental permitting process*, THE HILL (Jan. 19, 2015)

⁶ *The Case for Permitting Reform*, BUS. ROUNDTABLE (last visited Mar. 25, 2023),

<https://www.businessroundtable.org/policy-perspectives/smart-regulation/the-case-for-permitting-reform>.

⁷ *S&P sees tight access to capital for energy companies not addressing ESG*, S&P GLOBAL MARKET INTELLIGENCE (last visited Mar. 24, 2023) <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/s-p-sees-tight-access-to-capital-for-energy-companies-not-addressing-esg-56962288>.

⁸ *Id.*

upon foreign actors and the wiles of international politics. Strategic petroleum reserves are at historic lows further putting our security at risk⁹

III. Conclusion

The American energy industry needs small businesses to produce abundant resources to fuel our economy. Small energy producers face a number of challenges in today's economy including access to capital, permitting, and other regulatory burdens. The Committee will continue to examine policies that can help small American energy firms prosper.

⁹ Press Release, H. Subcomm. on Econ. Growth, Energy Policy & Regulatory Affairs, Fallon: Depleting the SPR and Biden Admin's Attack on American Energy Poses National Security Risks (Mar. 8, 2023).