United States Senate

WASHINGTON, DC 20510

May 1, 2020

The Honorable David Bernhardt
U.S. Department of the Interior
1849 C Street N.W.
Washington, D.C. 20240

Dear Secretary Bernhardt:

We write with serious concern regarding the Department of the Interior's recent decision to move forward with a process that would relieve oil and gas companies of their obligations to pay royalties owed to the American taxpayers, a decision that would do little to preserve jobs and will have grave effects on local communities, states, and tribes that depend on these receipts.

We adamantly oppose any plans to eliminate oil and gas operators' royalty obligations. This "relief" would gut the budgets of states that count on receiving 48% of those receipts to fund emergency response, infrastructure, education, and other critical state functions in the midst of a worsening public health and economic crisis. Waiving or reducing royalties owed to the federal taxpayer and states will further delay critical resources from being deployed by states, tribes, and local governments to combat this pandemic and other essential services needed to restart our economy safely. This will only exacerbate the reliance of these states on additional federal relief.

Lower royalty rates are very unlikely to stop the thousands of layoffs that are unfortunately already occurring. The benefits of such taxpayer assistance will accrue to the executives, large investors and bond holders and incentivize oil and gas operators to produce more than they otherwise would, which will only exacerbate the existing oversupply of oil and gas reserves and the imbalance in the market.

We are not alone in asking for these royalties to be collected, as western governors recently asked Interior to "honor" and uphold its commitment to collect and disburse federal oil and gas revenues to their states. In a letter sent to Interior on April 3, 2020, the Western Governors Association also stated that:

These oil and gas royalties are an integral component of many western states' budgets, and suspending their collection would have a direct negative effect on states.…The federal government must honor its statutory obligations to share royalty and lease payments with states and counties in the West to compensate them for the impacts associated with federal land use and nontaxable lands within their borders.…Shared revenues and payments to states and counties under these programs should not be treated as federal expenditures or income[1].

If you choose to override the objections of these states, the following information must be made publicly available to ensure accountability and transparency to American taxpayers:

1. How many and which oil and gas operators and leases receive royalty relief?
2. What is the estimated loss of revenue to the Federal and State governments for fiscal year 2020 and 2021?
3. As a consequence of the royalty relief, how many jobs were retained, and how was that demonstrated?
4. How did the relief impact production --did operators inform the Department they would have higher production if they received the relief?

[1] *https://westgov.org/images/editor/DOI_Oil_and_Gas_Royalties_COVID-19.pdf*

5. When will 12.5% royalty rates resume? What is the specific mechanism or indicator that BLM will use to reinstate the royalty rates provided by law?
6. Did the recipients of any relief commit to forgoing executive bonuses, shareholder dividends, and other corporate payouts as a condition of receiving taxpayer assistance?
7. Did the recipients of any relief have any outstanding environmental or workplace safety violations that had not been resolved at the time they received relief?

Additionally, if you decide to move forward with a "royalty relief" program, the Department should *simultaneously enact a leasing moratorium* to counteract the oversupply of oil and gas reserves. Given that the proposed royalty relief is supposedly intended to reduce the current economic burden on oil and gas companies, any new leasing or expansion of production would be contradictory and further strain the oil and gas market. Given the impact of royalty suspension on many states' budgets, any decision must include prompt notification and consultation with the appropriate state governor prior to granting any royalty relief petitions.

While there is a theoretical case that can be made for varying royalty rates with the price of oil, the federal government has not opted for such a royalty structure and should not pursue it on an ad hoc basis in response to industry lobbying.

Now is not the time to put the interests of oil and gas companies, many of which have voluntarily taken-on significant debt-loads in recent years, ahead of hard-working Americans across this country, who depend on sufficient state budgets to ensure worker safety and protect public health during COVID-19. The Department of the Interior should be focusing its resources on delivering a consistent and cogent federal response that is dedicated to protecting frontline workers, public health, and national security. Thank you for your prompt consideration and we look forward to your swift response in this time of crisis.

Sincerely,

Tom Udall
United States Senator

Edward J. Markey
United States Senator

Ron Wyden
United States Senator

Cory Booker
United States Senator

Dianne Feinstein
United States Senator

Martin Heinrich
United States Senator

Robert Menendez
United States Senator

Debbie Stabenow
United States Senator