



2014 IOGCC Midyear Issues Summit



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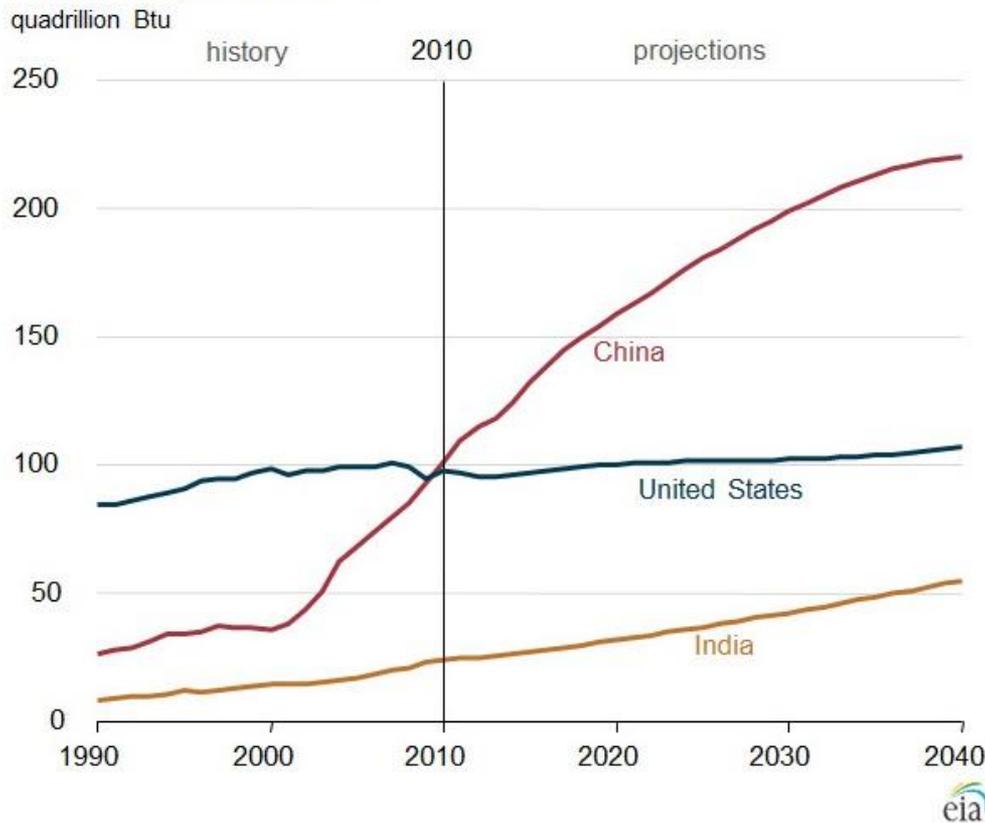
“The energy problem is a crisis now. But it can be an historic opportunity to free America forever of dependence on unstable foreign oil that can be turned off and on at will, by those who use world commerce for economic blackmail and coercion.”

-Ronald Reagan, State of the State Address, January 9, 1974

The U.S. oil and natural gas industry supports more than 9 million jobs nationwide, impacts over 7% of GDP, and contributes more than \$86 million to the Federal Treasury every day.

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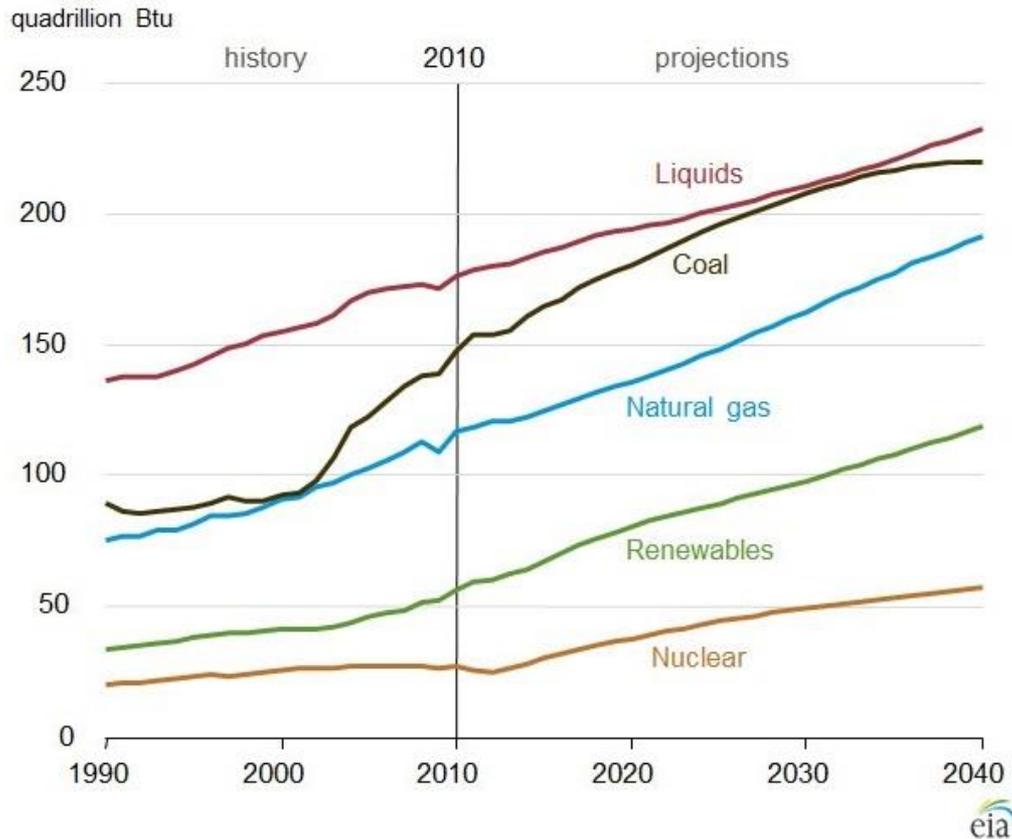
Energy consumption in the United States, China, and India, 1990-2040



- Between now and 2040 energy consumption will rise over 56% across the world
- China and India will be the leading consumers of energy growth
- Lead by an expanding middle class and long term economic growth

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World energy consumption by fuel type, 1990-2040



- Fossil fuels account for over 80% of world energy use by 2040
- Petroleum and coal will remain the largest sources of fuel for energy consumption
- Natural gas most rapidly growing fossil fuel at almost 2% per year



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- In 2012, Governor Bentley of Alabama launched the States First Initiative during his term to recognize states as the leaders and innovators in regulation.
- States are first:
 - to recognize and seize opportunities for economic development and job creation;
 - to seek practical regulatory practices that protect the environment and allow resource extraction;
 - in environmental response;
 - in advocating for the health and safety of citizens; and
 - to deal with opportunities and obstacles.

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www.statesfirstinitiative.org

States First Main Ideas:

- Regulations are best set by states
- States are Incubators of Regulatory Innovation
- State Permitting is Safe, Effective, and Timely (MS is #2 for permitting speed)
- Businesses can choose which states best suit their needs
- States have been leaders since 1930s

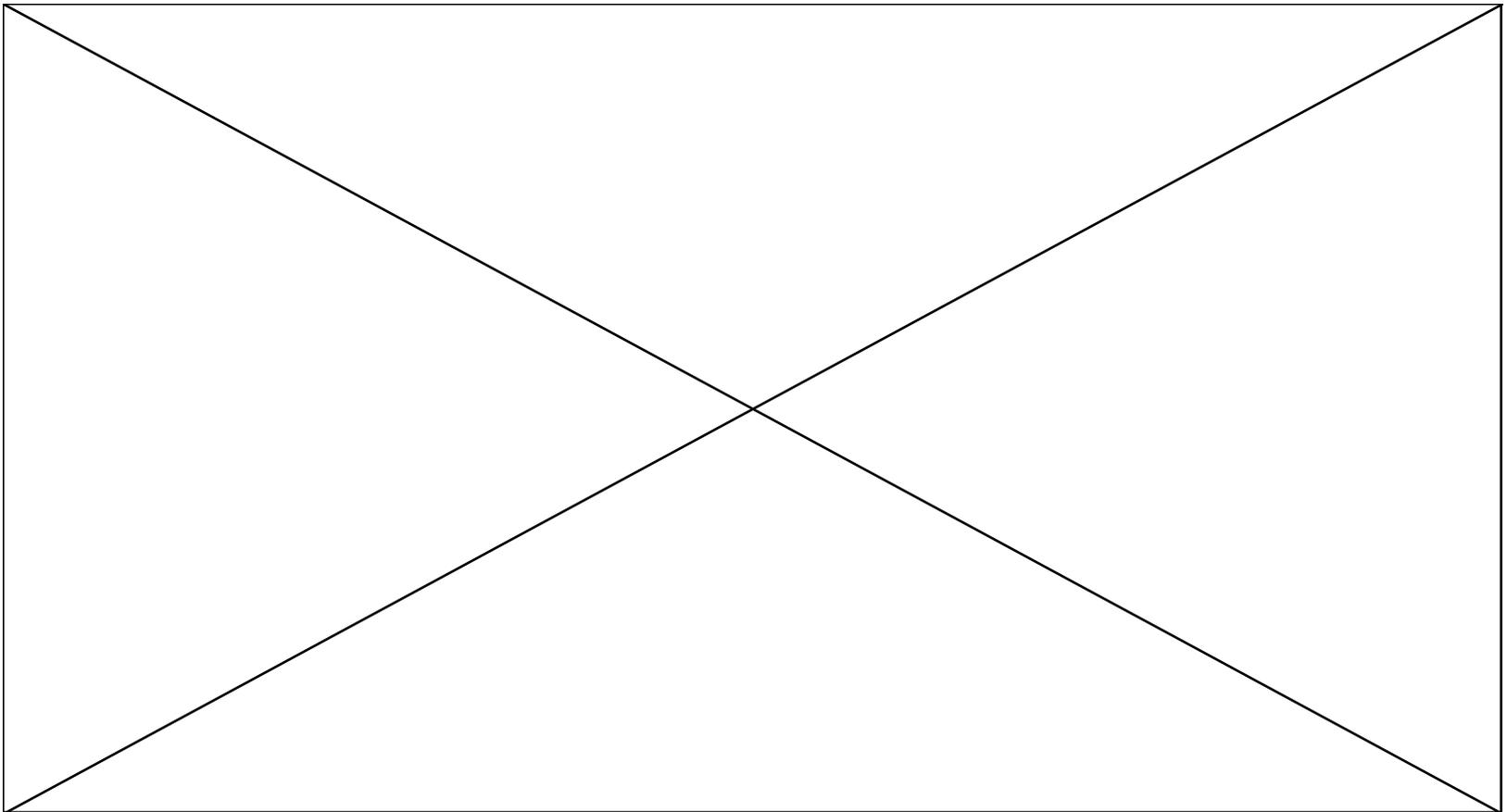
Empowering states to create solutions through:

- Ensuring transparency in regulatory development and implementation
- Engaging in collaboration and inclusion with all stakeholders
- Developing all resources in order to create jobs at home and energy stability for future generations
- Evolving regulations to meet technological innovation
- Setting world standards for compliance and enforcement in environmental regulation



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Since our last meeting in Long Beach, States First has been building a public presence with its website and social media outlets such as Twitter and YouTube.





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In December, 11 other governors joined me in signing a letter about States First that was sent to the White House, Congressional members, all Federal agencies and other American energy policy leaders.

We've had great response including letters from Secretary Ernest Moniz from the US Department of Energy, Sally Jewell from the Department of the Interior, and Secretary Tom Vilsack from the Department of Agriculture.

Phil Bryant
Governor of Mississippi
IOGCC Chairman

Robert Bentley
Governor of Alabama

Steven L. Beshear
Governor of Kentucky

Steve Bullock
Governor of Montana

Tom Corbett
Governor of Pennsylvania

Jack Dalrymple
Governor of North Dakota

Mary Fallin
Governor of Oklahoma

Gary R. Herbert
Governor of Utah

John Hickenlooper
Governor of Colorado

Sean Parnell
Governor of Alaska

Rick Perry
Governor of Texas

Brian Sandoval
Governor of Nevada



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States First In Transparency

In regulatory development and implementation:

- States learning best practices from their peers
- Disclosure, i.e. FracFocus. More than 590,000 visitors to FracFocus website
- State agencies website information, i.e. permits, well finder

States First in Collaboration and Inclusion

With all stakeholders, including the federal government, environmental organizations, citizens and industry

- Multi-stake holder forum for involvement and real answers
- Giving citizens a voice in energy policy
- Bipartisan support of 12 governors from across the country
- Covering more than half the production of energy in this country



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States First in Resource Recovery

Ensure our resources are fully developed, creating jobs here at home and a solid energy future for generations to come

- States have been leaders since 1930s
- Leads the world in enhanced oil recovery, ie CO₂
- Oil imports at lowest level since 1970 (24%)

States First in Embracing Technology

Evolving regulations to adapt to the fast pace of technological innovation

- Encouraging new ways to be cleaner, greener

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States First in Environmental Regulation

Setting the world standard in ensuring compliance and enforcement

- National Oil and Gas Inspector Certification
- Induced Seismicity Work Group
- Unique policies to each states' geography, climate, geology and social fabric

How do state-driven policies pay off?

Growth in Mississippi's Energy Sector

- Energy sector accounts for 22,035 direct private sector jobs in Mississippi
- Energy related jobs in Mississippi paid an average salary of \$63,456 in 2010, which is 89.3% higher than the average private sector wage of \$33,524
- While national energy sector employment has declined 4%, Mississippi's energy workforce has grown by 3%
- Energy sector alone accounts for 8% of Mississippi GDP

Mississippi seeing tremendous progress thanks to state-led initiatives

- Fraser Institute has again ranked Mississippi as a top spot in the world for oil and gas investments
- More natural gas flows into and out of the state than any other in country
- From 2006 to 2012, total oil production in Mississippi has increased approximately 31%
- Mississippi is the leader in advanced carbon capture and enhanced oil recovery
- Approximately half of total oil production in Mississippi is now CO₂ EOR related. CO₂ EOR grew an average of 16% annually from 2006 to 2011
- Developing shale plays like Tuscaloosa Marine Shale as well as plays in Northeast Mississippi will position the state as a leader for years to come
- Abundant supply of biomass, coal, and natural gas, along with other natural resource strengths and a favorable business climate, have lead to many traditional and technologically advanced economic development opportunities across the state

State Priorities Also Include:

- Enhancing communication between industry and regulators, and market Mississippi's regulatory efficiency and responsiveness
- Ensuring permitting efficiency
- Investing in comprehensive geologic inventory
- Identifying and marketing energy rich sites
- Developing energy supply chain and targeting components manufacturers
- Embracing electric infrastructure expansion and modernization
- Maintaining responsiveness to interstate and intrastate pipeline projects
- Rewarding public/private funding agreements for energy R&D at universities
- Assessing and enhancing R&D Tax Credits
- Increasing industry engagement with MS universities via industry advice on electives, co-ops, internships for continuing education

Action for Tomorrow

- States Must Have Voice in Energy Development
 - Governors and other organizations need to lead
 - States First, IOGCC
- America Must Embrace New Technology in the Energy Sector
 - CO₂-EOR, horizontal drilling
- Sound, Effective Policy Must be Adopted
 - Keystone Pipeline, LNG Exports, Renewables
- Goal of Energy Independence



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