H.J. Res. 71, a Congressional Review Act Resolution

Blocks ONRR's Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule

Introduced by Rep. Scott Tipton (CO-03) and Whip Steve Scalise (LA-01)

- **Background**: On July 1, 2016 the Office of Natural Resource Revenue (ONRR) published its Final Rule for the valuation of federal onshore and offshore oil & gas production, as well as for coal production on federal and Indian lands for the purposes of calculating federal royalties. The agency premised the Rule on a need for greater clarity and simplicity in the calculation of royalties owed on produced natural resources. However, the Rule achieves the opposite – injecting uncertainty and arbitrary bureaucracy into complex accounting determinations. In turn, the rule will bankrupt small, independent energy producers, and discourage production on federal lands across the West and offshore in the Gulf of Mexico and Alaska, meaning less revenue for the U.S. Treasury and our nation's rural communities.

- **Key Concerns with the Rule**:
    - Needlessly institutes more complexity in to an already elaborate reporting system, and much of the information that is now be required to be collected is not necessary for small operators to collect in order to meet their contractual obligations.
    - Differences in the interpretation of reporting requirements between the agency and a company, minor reporting mistakes, and legitimate variations in sales prices all may be labeled by the agency as misconduct, subjecting the producer to significant penalties and retroactive royalty assessments.
    - Allows the agency to make arbitrary changes to deductions allowed for valuation purposes, resulting in confusion regarding reporting requirements and uncertainty that discourages long-term business investment.
    - Unjustifiably adjusts the valuation of coal resources for many wholesale electric cooperatives upward, forcing them to pass the additional costs on to their consumers.

- **Impacts to Small Businesses and Rural Communities:**
    - Will increase costs for not-for-profit electric cooperatives, which often service economically depressed communities. Will increase electricity rates for individuals that can least afford these price increases.
    - High-paying jobs created by the oil and gas and coal industries are often the economic backbone of rural communities. Discouraging production will cost good careers in communities that simply cannot replace them.
    - Mineral development contributes billions of dollars in revenues to federal, state, and local coffers, which are used to fund education and vital infrastructure. Siphoning resources away from production or driving production to non-federal lands will deprive rural communities of resources they need and rely upon.
    - The Rule's onerous requirements will impact small businesses the most, because they do not have the scale to absorb the extra compliance costs.

For more information or to join as a cosponsor, please contact Dustin Sherer in Congressman Tipton's office at Dustin.Sherer@mail.house.gov or **202.225.4761** or John Seale in Whip Scalise's office at John.Seale@mail.house.gov or **202.225.3015**.