

VIA EMAIL: RRCconference@rrc.texas.gov

April 6, 2020

Chairman Wayne Christian
Commissioner Christi Craddick
Commissioner Ryan Sitton

Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

RE: DOCKET NO. OG-20-00003167; IN RE: MOTION FOR COMMISSION CALLED HEARING ON THE VERIFIED COMPLAINT OF PIONEER NATURAL RESOURCES U.S.A. INC. AND PARSLEY ENERGY INC. TO DETERMINE REASONABLE MARKET DEMAND FOR OIL IN THE STATE OF TEXAS

Dear Chairman Wayne Christian and Commissioners Christi Craddick and Ryan Sitton,

First, thank you for the opportunity to offer public comment on the Railroad Commission's deliberation of proposed statewide oil production cuts. While the Texas Association of Business (TAB) respects the Commission's authority, we categorically oppose any move that would disrupt business competition and hinder the free market principles that have made the Lone Star State one of the strongest economies in the nation. In times of economic downturn, we firmly believe that impediments to the free flow of crude and other products in the global marketplace will be catastrophic to the Texas economy.

Our members and 200 local chambers of commerce in all corners of Texas employ hundreds of thousands of hard-working Texans and collectively produce \$8 billion annually. We represent members and chambers in both conservative and liberal districts, urban and rural areas, producing and non-producing regions and parts of the state with economies both large and small. Although our association is as diverse as the state of Texas, we are united on one front: free enterprise is fundamental to our state's economic prosperity and we cannot abandon these principles in times of economic downturn.

As the federal government looks to negotiate with foreign regimes in an attempt to stabilize global markets, protectionist policies – such as tariffs on imported crude and other products – would likely be implemented in tandem with the proposed production cuts in an attempt to coerce Russia and Saudi Arabia to end the current price war and shut in production. However, these efforts do not happen in a vacuum, leaving the United States vulnerable to retaliatory measures, potentially setting off an industry trade war and further handicapping the global marketplace already struggling to overcome the COVID-19 pandemic.

The Texas economy relies on the free flow of products in the global marketplace. Tariffs on imported goods would increase costs for U.S. consumers, incentivize foreign production of goods and reduce the demand for U.S. exports. With several of the busiest ports in the nation along our southern coastline, Texas would be disproportionately impacted.

In 2018, Texas was the largest exporter in the United States, exporting \$315.9 billion in goods - nearly 20 percent of the nation's total exports. This same year, exports accounted for nearly 18 percent of our state's gross domestic product (GDP) and supported 866,000 jobs for hard-working Texans. Efforts to artificially control markets through economic sanctions would cause long-term damage to the 39,482 companies who exported products from Texas locations in 2016.

Given the current price environment, Texas oil producers are already taking steps to limit production without unnecessary government intervention. Exerting government control ultimately harms business and leaves our

state vulnerable. Proration, in tandem with federal sanctions and coordination from foreign producers, may push oil prices up at a faster pace than what would occur without intervention but would do so at the expense of our state's largest industry and could jeopardize well-paying jobs for thousands of workers over the long-term.

Texas companies know that the key to success is balancing risk and reward. It is times like this that we demonstrate our resiliency and hardiness. The economic downturn is temporary – don't jeopardize the future economic growth of our great state with short-sighted policies that fly in the face of our state's free market foundation.

As the president and CEO of the Texas Association of Business, I urge you to reject government intervention to determine reasonable market demand for oil in the state of Texas. Keep Texas free.

We do not wish to testify at the hearing, but simply ask that our position and comments in this memo be included in the record.

Sincerely,

Jeff Moseley
President & CEO
Texas Association of Business