SSDA
SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

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INSIDE THIS ISSUE:

Infrastructure Bill	1
Netdriven	2, 3
Thank you!	4
Happy Holidays!	4
SSDA-AT Sends Letter to Biden on Supply Chain	5
Oil, Natural Gas to Hike 10%	6, 7
Opinion: Strategy and Culture	8. 9
Vaccine Mandate Update	10
Keystone Pipeline Developers Seek Big Money	11
ConocoPhillips to Begin New Project	12
Broken Supply Chain Hurts Small Firms	13
House Dems Call on Biden for Action	14
Natural Gas Outpacing Oil	15, 16

Historic Infrastructure Bill Signed into Law

By Roy Littlefield

On November 5th, the House of Representatives passed the "Infrastructure Investment and Jobs Act (IIJA)," with a bipartisan vote of 228 to 206. The IIJA was then signed by the President. After tumultuous months of negotiation, and procedural and political debates Congress has passed this vitally important bill that will make historic investments in roads and bridges, improve roadway safety, and make our roads more reliable and dependable for all highway users.

SSDA-AT worked tirelessly on this bill for months.

The IIJA will provide $550 billion in spending above budget baseline over five years and includes the text of S. 1931, the Senate Environment and Public Works Committee surface transportation reauthorization bill that passed the Committee in May, which SSDA-AT strongly supported.

The bipartisan infrastructure legislation includes increases for highway funding via formula, increases roadway safety investment, important streamlining provisions, significant bridge investments, and preserves flexibility to invest in both new capacity and improvements to existing roadways.

The IIJA also includes the Surface Transportation Investment Act, passed by the Senate Committee on Commerce, Science, and Transportation with bipartisan support, as well as the Senate-passed Drinking Water and Wastewater Infrastructure Act and the Energy Infrastructure Act, which received bipartisan support in the Senate Committee on Energy and Natural Resources.

Key Funding Highlights:

Highways - $351 billion for highways over five years from the Highway Trust Fund (HTF) and General Fund ($307 billion or 90% provided as formula apportionments to states.) This is a 34%increase in highway elements from the Highway Trust Fund over funding levels in the Fixing America's Surface Transportation Act (FAST Act).

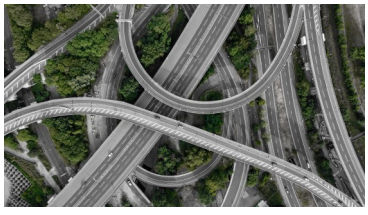
Transit - $91 billion

Highway Safety (NHTSA/FMCSA) - $12 billion

Passenger Rail - $66 billion

Bridge Investment Program - Provides $12.5 billion over five years for a new Bridge Investment Program that funds competitive grants to address the nationwide backlog of bridge repair and rehabilitation projects.

Bridge Formula Program - Appropriates $27.5 billion for a new bridge formula program to provide funding to States and Tribal governments to repair and rebuild bridges.



The Online Edge – What Your Business Needs to Thrive

By: Stephanie Santore, Net Driven

Does your business have an online presence? If so, are you doing all you can to ensure its virtual success? If not, what are you waiting for? Let's take a sneak peek at some statistical findings from the Pew Research Center. According to their most recent studies on the use of internet and technology it was found that:

- Roughly three-quarters of Americans, or 77%, now own a smartphone, which nearly doubles the former findings since the Center began its research in 2011.
- As of November 2016, nearly three-quarters, or 73% of Americans indicate that they have broadband service at home.
- Nearly seven-in-ten Americans now use social media. When the Center started tracking social media adoption in 2005, just 5% of Americans said they used these platforms. Today, 69% of U.S. adults are social media users.
- Half the public now owns a tablet computer. When the Center first began tracking tablet ownership in 2010, just 3% of Americans owned a tablet of some kind.

As you can see, now more than ever before, an online presence for your business is significant. And not just any online presence, but a quality one that provides a sense of credibility and legitimacy, turning its visitors into leads and sales, and contributing to the success of your business.

First impressions matter. If your business has a website, rest assured that internet users are navigating to it to formulate their opinion, to see what other people have to say about you, and to "screen" shop your services and products, which is much like window shopping, but with the ease of never having to actually visit your business's location.

Your business can now be accessible to the masses thanks to technology. Therefore, it's vital to have a way for potential clients to find you with the swipe of their fingertip and also to ensure you have a website that makes a good impression.

So, how do you go about trying to meet your customers' needs online?

Let's Talk Internet Marketing Best Practices

There are several factors that play into the creation of a well-made website that will help your business's online presence generate traffic and rank effectively:

Design & Layout

Visual presentation plays an important role in the functionality of a website. A high-performing website will provide a positive user experience. It helps to have a responsive web design. What makes a website responsive? Responsive design helps to generate leads and sales without any limitations based on user devices. So, customers can find your automotive service site on their tablet, smartphone, smart watch, etc., viewing your website efficiently from any screen size.

Content

Content is the reason why visitors come to a site. They are seeking information about your business and its services. The key is to provide relevant content that is easy for visitors to digest. Too much or too little and your visitors might go elsewhere to find what they're looking for. Check out what Moz has to say about content regarding search engine ranking. By providing unique content that moves beyond self- promotion and is easily digestible to the user, your website offers valuable information.

Calls to Action

Continued on page 3

NET DRIVEN

Continued from page 2

Calls to action within a site's content and design come in the form of clickable links or custom buttons. It entices a visitor to take action beyond the page they are on, an action like submitting a form, requesting a quote, purchasing a product, or even just clicking a link that leads to another page with relevant information. Through a CTA, a user moves to take a specific action that will benefit your business. And action is what it's all about.

Credibility

A business with an online footprint is a business that can be found, recognized, and confided in.

From building a solid and consistent brand across all channels, to maintaining an active social media presence, gaining positive reviews, managing your online reputation with products like Net Driven's Reputation Management.

Mobile Viewability

More and more people are looking at your site from a mobile phone or web enabled device. It seems like anything with a screen and a microchip in it is capable of getting on the internet these days.

Make sure your site is viewable on a mobile internet enabled device.

Search Engine Optimization

At Net Driven, we drive the traffic that drives your business! It begins with a website that keeps local search in mind.

A strong SEO foundation puts proven strategies to work and improves your ability to get found.

From understanding searcher behavior to using tested best practices, the SEO team at Net Driven works hard to ensure that your site has all of the key ingredients for SEO success. Look to us for:

- Keyword research performed for your business and target geographic
- Optimized meta tags for click through success
- Relevant industry content
- Local directory management
- SEO-friendly site architecture
- and more!

Don't have a website yet? What are you waiting for?!

Talk to a representative from Net Driven today and ask about how we can help you create a website that not only generates traffic, but turns your traffic into leads and sales!

Net Driven should be your choice for all your automotive internet marketing needs.

Contact us today!

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Thank You for Attending!

We thanks all those SSDA-AT members who attended the Annual Meeting in Vegas!

At the meeting, the group reviewed the new federal position papers for 2021 on the top 10 issues SSDA-AT is working on in Congress.

SSDA-AT plans to hold their next meeting virtually and we will explore options for another in person meeting in the Spring.

Once again we thank those who attended!

Happy Holidays from SSDA-AT!!!!

SSDA-AT Pens Letter to President Biden on Supply Chain Solutions

We, the undersigned coalition of associations, representing agriculture, tire industry, foodservice, trucking, warehousing, manufacturing, retail, construction, energy, and other key supply chain stakeholders, call on the Biden Administration to work with our industries to address the immense challenges impacting our nation's supply chain.

While we represent different industries, we share the common burden of current supply chain disruptions, which are driving up prices and leading to a growing shortage of goods in the United States, with the holidays just around the corner.

As business leaders and proud Americans, we are firmly committed to this country's economic recovery. We are working to usher in a return to normalcy and striving to help all Americans enjoy a better way of life by providing them with access to the essential products and supplies they need.

We appreciate that you have called on your Administration to strengthen our supply chains and recently stated: "If federal support is needed, I will direct all appropriate action." In that spirit, we ask for your leadership on the following five actions:

1. Younger Driver Pilot Program

We believe it is imperative to attract younger commercial drivers into our industries. We strongly support a pilot program that will enable employers to create a two-stage, safety-focused apprenticeship program to allow younger, qualified drivers – between the ages of 18 and 20 – who satisfy rigorous safety, training, and technology requirements to operate in interstate commerce. With 49 states and the District of Columbia already allowing drivers under the age of 21 to get their commercial driver's license and operate intrastate, this pilot program will provide a real opportunity to address current and future driver shortages by promoting a career pathway in trucking and developing a professional, qualified, and highly-trained emerging transportation workforce.

2. Promotion of Careers in Transportation and the Supply Chain

We must work together to highlight the importance of transportation and supply chain jobs and how crucial they are to America's families and communities. We encourage federal agencies, including the U.S. Departments of Transportation and Labor, to collaborate with industry and state and local partners to promote transportation and supply chain occupations, particularly commercial truck driving, as a career of choice. Commercial truck drivers enjoy stability, good benefits, and higher-than-average wages. We can improve the lives of many unemployed and underemployed Americans by giving them opportunities for advancement while boosting the economy.

3. Flexibility in Vaccine Mandates

Our industries are committed partners in the fight against COVID-19, and we unequivocally support the use of vaccines to fight its spread. However, we are concerned a mandate will cripple an already strained supply chain. We estimate companies covered by the mandate could lose 37% of drivers at a time when the nation is already short 80,000 truck drivers. We ask for flexibility for transportation and supply chain essential workers, particularly truck drivers who spend most of their time in their trucks and have minimal contact with colleagues and customers.

4. Hours of Service Relief

Regulatory flexibilities, especially during emergencies, are vital to supply chain continuity. We continue to support last year's changes to the hours of service regulations that give commercial truck drivers greater flexibility while improving safety and efficiency. We encourage the Administration to retain these changes and consider providing additional flexibilities that may be needed for the timely delivery of essential goods and that make sense from a safety and operational standpoint. Such flexibility is particularly important at ports that are open 24 hours to help alleviate current bottlenecks.

5. Flow of Goods through Ports

We encourage the Administration to continue to investigate the causes of inefficiencies at our nation's ports, draw input from a wide variety of supply chain stakeholders, and work collaboratively to minimize the bottlenecks and operational practices that prevent the seamless movement of cargo through the supply chain. Through continued dialogue and information sharing, appropriate action can be taken to ensure resources and equipment are utilized efficiently and effectively to improve performance at our nation's ports.

We stand ready to assist in any way we can.

Sincerely, SSDA-AT

U.S. Oil, Natural Gas Projects Said Likely to Face 10% Hike in Wages, Supply Chain Inflation to 2023, NGI

U.S. oil and natural gas projects are forecast to face higher costs going forward as wages rise along with supply chain inflation.

The engineering, procurement, construction and installation (EPCI) segment may be the "first to record a double-digit percentage hike in costs," according to a new analysis by Rystad Energy.

Domestic EPCI costs, driven by increases in salaries and materials, are forecast to jump by about 10% in 2023 from current levels. Capital expenditures (capex) by U.S. companies for EPCI in 2023 could reach $15.5 billion, or around $1.4 billion higher than under the current cost status quo.

"If EPCI players fail to adapt to the rising costs, those executing lump-sum contracts and using outdated assumptions for procurement and construction indices will see their margins squeezed," said Rystad analyst Robert Mathey, a supply chain expert. "To mitigate the effects of rising costs, contractors will need to be creative with how they source engineering and procurement services."

'Hampered' By Suppy Constraints

The devastating impact from the pandemic on public health may have passed, but many supply chain issues are forecast to dog the economy into at least next year. That was made clear during the third quarter earnings season, when oilfield services (OFS) operators, as well as exploration and production (E&P) companies, said inflationary concerns were on the rise.

Baker Hughes Co. CEO Lorenzo Simonelli told investors during the quarterly call that the U.S. and global economies were recovering but the pace was being "hampered" by "global ship shortages, supply chain issues and energy supply constraints in multiple parts of the world."

Halliburton Co. CEO Jeff Miller during the quarterly call said the "labor market is tight". He pointed to "real challenges," the OFS giant is confronting. However, he said Halliburton's "scale, speed and systems" enabled it "to recruit talent nationally and quickly deploy it for our customers."

On the E&P side, Devon Energy Corp., which works in multiple basins across the Lower 48, is attempting to stay one step ahead "of the inflationary pressures that are impacting not just our industry, but all aspects of the broader society," COO Clay Gaspar told investors during the quarterly conference call. "The supply chain team is working hard to anticipate issues, mitigate bottlenecks and work with the asset teams to adjust plans to optimize our cost structure and future capital activity."

Permian Basin pure-play Pioneer Natural Resources Co. reported "upward pressure" on "tubulars, diesel, cement, sand, chemicals," CFO Neal Shah told investors. In addition, "it's gotten a little tighter on the labor side.." Overall, Pioneer is "expecting to see mid-single-digit inflation for the year with…closer to 10% inflation…As you look at 2022, we're looking at probably something in the mid-single digits from an inflationary standpoint."

Where Are Wages Rising?

According to Rystad, rising construction wages are likely to account for around $1 billion of the extra capex costs in the 2023 EPCI budgets. The other $400 million mostly is expected from the increased capex for bulk materials and additional en-

Continued on page 7

U.S. Oil, Natural Gas Projects Said Likely to Face 10% Hike in Wages, Supply Chain Inflation to 2023, NGI

Continued from page 6

gineering labor.

This year, U.S. capex for EPCI is estimated at $12.6 billion, according to Rystad. That means the segment "is poised for a significant spending increase in 2023, irrespective of the cost rise." Capex is forecast to increase in 2024 to around $18 billion.

Other supply segments also are likely to face higher costs in 2023. Subsea supply costs are set to rise by 8% from 2021, with maintenance and operations climbing 7%, drilling contractors by 6% and seismic by 5%, Rystad researchers said.

"Overall, our projections indicate that U.S. oil and gas capital expenditure will rebound from a Covid-19-induced low of $91 billion in 2020 and an expected $99.3 billion this year to over $112.7 billion in 2023 and 2024."

Meanwhile, robust growth in EPCI capex should peak at around $18 billion in 2024, up by half from 2020's $12 billion.

In their breakdown of EPCI costs, Rystad's researchers said engineering costs for U.S.-based projects would climb by 3-5% in 2022 and by 5-8% in 2023, relative to current levels.

"This projection is consistent with earlier Rystad Energy research pointing toward the growing labor challenges within the oil and gas industry, particularly in attracting and retaining skilled workers," they said.

Procurement Pinch Too

Projects that are "later in the life cycle" will feel the pinch too, as the "impact of global supply chain issues ripple across the energy sector and inflate procurement expenses."

For example, the Port of Los Angeles now is seeing shipments that have to wait to be unloaded. Containers have remained stacked as they await trucks to take delivery. Consequently, Rystad noted, distribution centers nationwide are struggling to fulfill orders.

"Price increases will heavily impact U.S. projects requiring large quantities of cable and pipe from U.S. markets," according to the forecast. Over the past year, cable prices have risen an estimated 20-50%, with pipe costs up 15% to as much as 70%, depending on the type of pipe material.

Projects under construction face particular cost challenges, the research found. Wages in construction "across all industries" are forecast to jump around 5% from current levels by 2023.

As construction services make up almost one-half of all EPCI costs, driven mostly by labor expenses, rising wages may lead to $1 billion-plus of additional capex for U.S. oil and gas projects in 2023.

In recent years, the EPCI sector has used engineering centers to complete design work, particularly as remote working became prevalent during the pandemic, Rystad noted. Companies are also "seeking out and validating" suppliers in lower-cost regions to ensure projects are economically viable.

However, Rystad noted that the EPCI sector "must be keenly aware of attracting and retaining talent, as the pandemic has led to a worker shortage in the oil and gas and construction industries.

"While cost is a significant factor in the success of a construction project, these companies will also need to consider how shortages in skilled labor and worker turnover will impact project schedules, quality and safety."

Mastering the Connection Between Strategy and Culture, Opinion

Ahmed Galal Ismail was impressed by the level of employee engagement in Majid al Futtaim Properties, the owner of the Mall of the Emirates—a huge shopping complex in Dubai that even boasts an indoor ski slope—when he started as CEO in late 2018. And he had big plans. Ismail wanted to build a company that delivered extraordinary customer experiences using its physical properties and digital platforms. He needed people who had the capabilities to anticipate customer expectations, rather than sit back and wait for customers to engage.

Working closely with the human capital director, he set about developing a "market shaper" culture—an organization perceived as driving the evolution of the sector—to stimulate more innovation and external orientation. At town halls with staff, he said he saw culture as a driver of transformation, and strengthening the corporate culture was one of his five Day One transformation initiatives, alongside reinforcing the core business, mastering efficiency, retuning the real estate development engine, and accelerating data-driven transformation.

The COVID-19 pandemic tested, but didn't break, the strength of the connection Ismail was building between strategy and culture. It was straightforward to make the most urgent decisions, which were to preserve cash and to communicate more frequently with employees and stakeholders. Strategic decisions required more deliberation, given their complexity and materiality, and considering the uncertainty of the longer-term effects of the pandemic. Ismail also wanted to ensure that the steps he had taken to develop a culture that supported a mutually beneficial ecosystem with his tenants would survive. Freezing rents was a critical strategic decision that signaled this commitment. His efforts worked, and business at the mall has bounced back in 2021 to beat pre-pandemic levels.

A fresh imperative to act

Like Ismail, other leaders currently face making decisions about where they choose to play and how to win (their corporate strategy) as well as how to encourage their employees to make—and shape—that journey with them (their organizational culture) at a time of considerable change. Customers have moved further online, and competitors' positions have shifted. Some, like the platforms, have strengthened; others have weakened or disappeared. At the same time, organizational cultures need to evolve to enable a new hybrid of virtual and physical working arrangements, and to recognize higher expectations of a better work–life balance.

In this context, it might be tempting to focus on developing strategy more than culture, or vice versa—the latter if you believe "culture eats strategy for breakfast," a quote misattributed to Peter Drucker (it seems it was actually said by a hospital CEO). Focusing exclusively on either strategy or culture would be a mistake. A strategy that describes a "big picture" vision without specifying what it requires of the organization's culture is destined to fail, especially if it doesn't

Mastering the Connection Between Strategy and Culture, Opinion

Continued from page 8

build from existing strengths. Likewise, evolving a culture without recourse to a clear, compelling strategic direction risks wasting effort, if not disruption; improving engagement, well-being, and productivity helps only if you're serving the needs of your current and future customers in a way that others can't or won't.

The goal should be to master the connectivity between strategy and culture. They both should be anchored by capabilities—the "key activities in which you must invest disproportionately and perform distinctively to underpin your theory of competitive advantage," according to author and CEO advisor Roger Martin. Prioritizing and investing in key capabilities must be supported by management systems and resources. In other words, the connection between strategy and culture has to be embedded in the management system and the allocation of resources, because together these support the decisions to invest in the critical few behaviors that disproportionately drive performance. Examples of capabilities: understanding customers (as in the case of Majid al Futtaim), partnering with suppliers, and building strong brands.

At the heart of this endeavor is an appreciation and incorporation of the perspectives, mindsets, and skill sets of others. Every organization faces a unique set of challenges and context. There are strategic moments in an organization's journey that have a disproportionate impact on outcomes. Getting them right creates a multiplier effect on other activities as people learn new ways of working and increase their advocacy for the program of work. Terence Mauri, founder of Hack Future Lab, a network of technology industry leaders, calls these "imprintable" moments. They include:

• Strategy development. If you want your culture's defining traits to be inclusivity, empowerment, and collaboration, the strategy process must reflect this desire. Opening up strategy development to participation, away from the typical top-down, closed approach, is a crucial act. It might involve running "dream sessions" in which employees envision the future of the company or contests designed to encourage participation and co-creation from customers, suppliers, and partners.

• Negotiations with important third parties (such as suppliers, partners, and agencies). If you want to encourage more curiosity as a cultural trait, negotiations should involve sufficient time spent understanding the interests of the parties involved and exploring a range of options for mutual gain.

• Recruitment of key talent. The messages imparted to recruits in the selection and onboarding process should reflect the strategic priorities (as communicated to the candidates), while the interviewers (and others involved) should demonstrate the desired traits and behaviors.

Healthcare CMS Vaccine Mandate Update

The Centers for Medicare & Medicaid Services (CMS) has released a rule ("CMS Rule") requiring Medicare – and Medicaid – certified healthcare providers and suppliers to have all employees fully vaccinated.

Coverage

The CMS Rule applies to employees regardless of whether their positions are clinical or non-clinical and includes employees, students, trainees, and volunteers who work at a covered facility.

The CMS Rule applies only to virtually all healthcare entities regardless of the number of employees that receive Medicare or Medicaid funding or reimbursement. This includes, but is not limited to, hospitals, long-term care facilities, home health agencies, and community mental health centers. Importantly, the CMS Rule does not apply to other healthcare entities, such as physician offices, that are not subject to certification health and safety standards.

Vaccine Requirements

The CMS Rule does not allow for testing in lieu of vaccination (unless considered as an accommodation to an approved medical or religious request for exemption).

Covered employers must establish a policy ensuring all eligible staff have, by December 5, 2021, received the first dose of a two-dose COVID-19 vaccine or a one-dose COVID-19 vaccine. Covered employers must require that, by January 4, 2022, all affected staff be fully vaccinated, except for staff granted medical and religious exemptions. For purposes of compliance with the CMS Rule, individuals who received the second dose by January 4, 2022, will meet the vaccination requirement. Covered employers must require documentation from employees to prove vaccination, even if an employee has previously attested to their vaccination status.

Religious and Medical Exemptions

Staff who claim a religious exemption must be required to provide a written statement that they have a sincerely held religious belief that prevents them from receiving the vaccine. No additional verification of the religious belief can or should be required. Staff who claim a medical exemption must be required to provide a written statement that is supported by medical documentation that they have a medical or mental health condition that prevents them from receiving the vaccine.

As of November 17, 2021, the CMS Rule has not been blocked from enforcement. SSDA-AT will continually monitor developments as to the progress of legal challenges; however, it is not anticipated that the CMS Rule will be blocked from enforcement.

Keystone Pipeline Developers Seek $15 Billion From U.S. for Cancellation, Bloomberg

Developers of Keystone XL are seeking to recoup more than $15 billion in damages connected to President Joe Biden's decision to yank a permit for the border-crossing oil pipeline even after construction began.

With a request for arbitration filed Monday, Calgary-based TC Energy Corp. formally opened one of the largest trade appeals ever against the U.S. and asked to put its long-running dispute over Keystone XL in front of an international arbitration panel. The legal claim is being mounted under provisions of the North American Free Trade Agreement that allow foreign companies to challenge U.S. policy decisions.

"The U.S. decision to revoke the permit was unfair and inequitable," TC Energy said in its filing, blaming the U.S. for putting Keystone XL on a 13-year "regulatory roller coaster."

The proposed pipeline, which would have transported up to 900,000 barrels per day of Canadian crude to U.S. refineries, was rejected by then-President Barack Obama after he concluded it would exacerbate climate change. Keystone XL was later revived by President Donald Trump, only to have Biden reject it again, on his first day in office.

While the new U.S.-Mexico-Canada Agreement that replaced Nafta limited the use of so-called investor-state dispute settlement systems, arbitration is still temporarily grandfathered for some legacy investments.

TC Energy suspended construction on Keystone XL and terminated the project after Biden revoked its permit. TC Energy has no intention of reviving Keystone XL regardless of the outcome of the trade case, which is designed to recover the investment it lost pursuing the project under three U.S. presidents, said Richard Prior, the company's senior vice president for liquids pipelines.

"We're not doing this for symbolic or political purposes. This is a business decision," Prior said in an interview. "We had all the permits and requirements in place to start construction on the line, and did so, and we worked with federal and state regulators in both countries for a very long period of time. This is just about recovering that destroyed value of investment."

TC Energy accuses the U.S. of violating its obligations under Nafta with actions by three administrations. The company said in the filing it agreed to abandoned an earlier Nafta arbitration claim after the Trump administration promised "its third application would be fairly considered by the United States." With its new filing, TC Energy also is renewing some of those earlier arguments tied to the Obama administration's initial, 2015 rejection of Keystone XL.

The dispute goes before a three-member arbitration panel, with one likely appointed by TC Energy, a second appointed by the U.S. and a third appointed by agreement of both parties. The tribunal cannot compel a country to change its laws over the matter nor force approval of the pipeline, but it could award damages for lost profits and costs incurred by the company.

Such investor-state dispute settlement claims by corporations against the U.S. are relatively rare, and the U.S. has a good track record in winning them. However, companies have emerged victorious in similar international disputes. Most notably, in March, Germany agreed to pay $2.9 billion to Sweden's Vattenfall AB and other utilities, as part of a compensation package resolving a decade-long battle over the country's decision to phase out nuclear power.

Biden's decision to rescind a presidential permit his first day in office -- without another round of government analysis on the long-studied project -- gives TC Energy an "extremely strong case" under Nafta language barring arbitrary discrimination, said Gary Hufbauer, a Washington-based senior fellow at the Peterson Institute for International Economics.

"TC has a great legal case going in," Hufbauer said. "This was well out of the norm of customary government behavior."

ConocoPhillips to Begin Production at Alaska Narwhal Project in 2022, SP Global

ConocoPhillips will begin initial production in 2022 from Narwhal, an undeveloped oil deposit south of the producing Alpine field, and will move toward full development in 2026, a company spokesperson said.

No production estimates or resource estimates were given.

"We have drilled two horizontal wells, one producer and one injector, from CD4, targeting the Narwhal reservoir," ConocoPhillips spokesperson Rebecca Boys said in an email Nov. 18. CD4 is an existing drill site in the Alpine field.

Boys said the company plans to initiate production and injection to support production from the wells in 2021 once the Alaska Division of Oil and Gas approves the Narwhal participating area.

The company plans to further develop Narwhal from a new drill site.

"CD8 is a new drill site that will come online later in the decade subject to stakeholder engagement and permit approvals," she said. Vincent Lelarge, ConocoPhillips' North Slope asset development manager, said the company is planning the new drill site in 2026. Lelarge's remarks were to an industry conference in Anchorage Nov. 17. Oil and gas from Narwhal will be processed in existing production facilities in the Alpine field.

Long-distance horizontal wells

ConocoPhillips has been studying development of Narwhal for several years. The accumulation is relatively small and the company has worked on plans to produce it, or at least part of it, with long-distance horizontal wells drilled from the existing Alpine drill site CD4, avoiding the cost of building a stand-alone new drill site.

The company is pursuing that strategy in developing another deposit in the Alpine field, Fiord West, completely with horizontal wells drilled from existing field facilities. Another undeveloped small deposit, Nuna, which is northeast of Alpine and near the Kuparuk River field, is planned for development, but Lelarge gave no timetable in his remarks Nov. 17.

Production and injection tests had been carried out at Narwhal, with the two horizontal wells drilled earlier, but ConocoPhillips concluded that the entire reservoir cannot be drained efficiently with horizontal wells.

That led to plans for the new CD8 drill site that will be positioned farther south in a location to fully produce the deposit. ConocoPhillips has been drilling record-breaking long-distance horizontal wells in and around the Alpine field for several years.

Some of the wells that will tap Alpine West, for example, will exploit reservoir targets seven miles from the surface location of the drill rig. The technology, however, is not without challenges. Geologic conditions can sometimes lead to a collapse of the horizontal well bore or drilling equipment becoming stuck, requiring expensive redrilling, delays and cost increases.

Broken Supply Chains Threaten Ruin at a Growing Number of Small Firms, Bloomberg

A growing cohort of smaller companies that survived the cold depths of the pandemic say now they're in danger because the economy is too hot.

Mattress sellers, flooring manufacturers and makers of clean energy equipment are warning that stretched supply chains and runaway freight bills have pushed them to the brink of ruin. Unlike global giants, they don't have the cash and scale to hire their own cargo ships or pass on the soaring expenses, forcing them to seek private bailouts.

The roster includes Casper Sleep Inc., which accepted a buyout at a fire-sale price along with a costly bridge loan. Armstrong Flooring Inc., reeling from a 21% cost increase, expects to violate its loan agreement, a fate that has already overtaken TPI Composites Inc., which got cash from distressed-debt specialists to keep the maker of wind turbine blades afloat.

"Covid was tough enough to figure out in terms of consumer behavior, increased leverage," said Lisa Donahue, global co-head of restructuring at AlixPartners. "And then you add stress on the supply chain, coupled with inflation -- that makes it really complicated," she said. "If you have high leverage and other fixed costs to start with, you're going to find yourself getting pushed a lot closer to the edge."

Aterian Inc., which sells consumer products ranging from coffee pots to office chairs online, had to hand lenders an equity stake after missing a debt payment.

Dramatically higher shipping rates were the cause, with prices soaring to $20,000 per container in July from $3,000 to $4,000 before the pandemic, Chief Executive Officer Yaniv Sarig said in an interview.

"That's a lot of money for a company like us," Sarig said. "So when we realized that was happening, we had to make some very tough decisions." This included giving about 9.3 million shares to its lender, High Trail Investments, at about a 20% discount.

There's still $25 million of the debt outstanding; the company says it's now meeting all terms of its loans and that the worst is over.

The companies warning of financial extinction stand out because there are so few other distressed situations left after more than a year of easy credit and federal bailouts to soften the pandemic. Bloomberg Intelligence reckons that distressed bonds in circulation total just $27.2 billion, the second-lowest amount in the past 14 years. At one point in the pandemic, the tally of all distressed debt was closer to $1 trillion.

One silver lining to the distressed drought is that investors who specialize in troubled companies have plenty of idle cash looking for something to rescue, and there's no shortage of turnaround consultants.

AlixPartners is helping manufacturers straighten out kinks in their supply chains by moving operations onshore, working with their distressed suppliers and negotiating breaks from lenders.

So far, Donahue said, many lenders have been amenable if borrowers show a clear plan of how they'll manage the crisis. Investors who agree to help are rewarded with equity stakes, or hefty interest rates and plenty of protection on any loans they grant.

The flexibility is helping to keep firms from bankruptcy for now, according to Joseph Weissglass, a managing director at advisory firm Configure Partners.

Given how expensive and disruptive a Chapter 11 case can be for small companies, he said, debt troubles are being resolved with "light-touch restructurings" out of court.

Holiday Hopes

Aterian worked with its shipping partners and got assistance from Amazon, which has helped its merchants get better rates on containers. Sarig says he's confident about the holiday season, and his company is already well into preparations for 2022, ordering some products as much as a quarter sooner than normal.

Big retailers have more ways to steer around the logistics chaos and higher costs by themselves. Walmart Inc., for instance, is hiring more supply chain workers, chartering entire ships and rerouting them to less-congested ports. "Fighting inflation is in our DNA," Chief Executive Officer Doug McMillon said during this week's earnings call. "Sam Walton loved that fight and so do we."

Retailers will need to show they can get product onto shelves and into customer hands for the holidays, said Lucy Kweskin, a restructuring partner at law firm Mayer Brown.

Exclusive: House Democrats Call for Biden to Ban Oil Exports and Tap Emergency Reserves, CNN

Nearly a dozen Congressional Democrats are urging President Joe Biden to combat high gas prices by not only releasing barrels from the US Strategic Petroleum Reserve but by banning US oil exports, according to a letter viewed by CNN.

The letter sent Monday to Biden adds to the pressure the White House is facing even from its own party to lower prices at the pump that are angering Americans and contributing to the biggest inflation spike in decades.

Calling the matter an "urgent issue," House Democrats led by California Rep. Ro Khanna called for Biden to ensure "affordable and reliable energy for American families."

"We must use all tools at our disposal to bring down gasoline prices in the short term," reads the letter, which was also signed by eight other Democrats, including Reps. Barbara Lee, Katie Porter, Darren Soto and others. Senate Democrats sent Biden a similar letter earlier this month.

Biden hopes to announce his decision to release oil from the SPR in an economic speech on Tuesday, officials told CNN. However, the timing of such a move is contingent on the other nations finalizing their agreements to do the same, officials said.

The specter of the United States, and potentially other nations, releasing emergency barrels has already helped to lower oil prices. After topping $85 a barrel in late October, US oil prices have declined about 10%. That in turn has helped put a lid on surging gasoline prices. The national average is $3.41 a gallon, roughly flat with a week ago, according to AAA.

"Our primary responsibility is how do we bring the cost down for working class Americans," Khanna told CNN in a phone interview. "This is something that people are upset about. We need to address that concern."

However, even proponents of tapping the SPR acknowledge it isn't a long-term fix. It's more of a band-aid.

That's because there is a finite amount of oil in emergency reserves. And releasing barrels won't solve the underlying supply-demand imbalance caused by surging demand amid the economic recovery and lackluster supply from OPEC, the United States and other major producers.

"It's not going to be a panacea. But we've got to do what we can," Khanna said in the interview.

Would export ban help — or hurt?

But the House Democrats suggest Biden should seriously consider the more dramatic step of banning oil exports -- even though multiple industry experts have warned such a step could backfire on US consumers.

"A ban on US crude oil exports will boost domestic supply and put downward pressure on prices for American families," the letter from House Democrats said.

This idea has reached the top levels of the Biden administration. The soaring costs of gasoline so alarmed White House chief of staff Ron Klain at one point that he suggested taking the dramatic step of halting US oil exports to drive costs down, one official told CNN. Administration officials believe they could secure an agreement on a coordinated release that wouldn't require banning exports.

However, Goldman Sachs told clients last month that an export ban would likely be "counterproductive" and have a "likely bullish impact" on retail fuel prices.

That's because oil is a globally traded commodity and US gas prices are set by Brent, the world benchmark. If the world lost access to US barrels, Brent prices would likely rise due to less supply.

And US oil refiners can't rely on domestic oil alone to produce the diesel, jet fuel and gasoline that the economy relies on. Refineries blend US oil with foreign barrels to churn out these products.

Khanna cast doubt on the analysis from industry experts, arguing they could be conflicted in warning against oil export bans.

"It's a real stretch to argue that increasing domestic supply of a product is somehow bad for Americans," Khanna said.

Yet even Mark Zandi, an economist frequently cited by the White House, is skeptical.

"I'm not a fan of banning oil exports," Zandi, the chief economist at Moody's Analytics, told CNN in an email. "I doubt it will meaningfully lower gasoline prices, as the price of gas is largely determined by global oil prices and not the price of domestically produced oil. It is also unclear whether domestic refineries would be able to efficiently process the type of oil that the U.S. exports."

U.S. Natural Gas Production Outpacing Oil Since Pandemic, Researchers Say, NGI

U.S. natural gas production has recovered more vigorously than oil since the height of the pandemic and is on track to exceed pre-pandemic growth forecasts through 2024, according to researchers at Louisiana State University's (LSU) Center for Energy Studies.

The center's executive director, David Dismukes, and associate research professor, Gregory Upton, described a transformed landscape for gas in the 2022 edition of the Gulf Coast Energy Outlook (GCEO).

Following a pandemic-induced 25% drop in U.S. oil production between November 2019 and May 2020, oil and gas activity is on the rebound, the authors said.

However, while U.S. crude oil production in August was still 10.7% below August 2019 levels, natural gas output from March to August of this year has consistently been 2.5-3.2% above pre-pandemic levels, Dismukes and Upton said.

Production in the Gulf Coast region, defined as Texas, Louisiana, Mississippi and Alabama, has followed a similar trend to the rest of the country, with August oil output 12.1% below August 2019 levels. Gulf Coast natural gas production, meanwhile, "has returned to, but not exceeded, pre-pandemic levels," the researchers said.

The GCEO sees Gulf Coast natural gas production averaging 45.7 Bcf/d in 2021, up from about 44.3 Bcf/d in 2020.

"Remarkably, current natural gas production levels, if they continue at their current pace, will be approximately 3% above pre-pandemic 2020 natural gas production levels," the researchers said.

"This forecast outcome is even more interesting considering that last year's GCEO forecast flat Gulf Coast natural gas production until approximately 2025, at which point production would increase marginally.

"In fact, current year natural gas production is at levels higher than each of the annual natural gas production levels projected in the 2021 GCEO."

The rebound in production from gas-directed plays such as the Haynesville Shale and the Appalachian Basin has been supported by historically high prices for the molecule, Dismukes and Upton said.

The strength in pricing, in turn, has to do with the slow rate at which oil and associated gas production has recovered, the impact of the post-Covid recovery on underground gas storage levels in North America, and "the increasingly integrated nature of world natural gas markets that has been facilitated by" U.S. exports of liquefied natural gas (LNG).

"Thus, the GCEO sees it as unlikely that U.S. natural gas markets are entering into a high price/high volatility epoch comparable to that experienced in the 2000s."

Rig Counts Rising

U.S. Natural Gas Production Outpacing Oil Since Pandemic, Researchers Say, NGI

Continued from page 15

The authors said that current prices "are a good balance between being high enough to support increased drilling activity in natural gas-based plays such as the Haynesville and Appalachia, but low enough to continue to attract investment in chemical manufacturing and LNG export in the Gulf Coast region…"

Rig counts, meanwhile, recovered to 508 in September 2021, more than double the pandemic trough seen in August 2020, but "still less than half that reported in 2018 and 2019," the LSU team said, citing data from Baker Hughes Co.

The researchers said that while they foresee a continued increase in drilling activity, they do not see it recovering to pre-pandemic levels over the forecast period through 2024. Citing data from the Energy Information Administration's monthly Drilling Productivity Report, the authors noted that all seven major Lower 48 shale basins covered have seen rig count increases since September 2020, ranging from a 76% increase in the Appalachian Basin to a more than 230% increase in the Anadarko Basin.

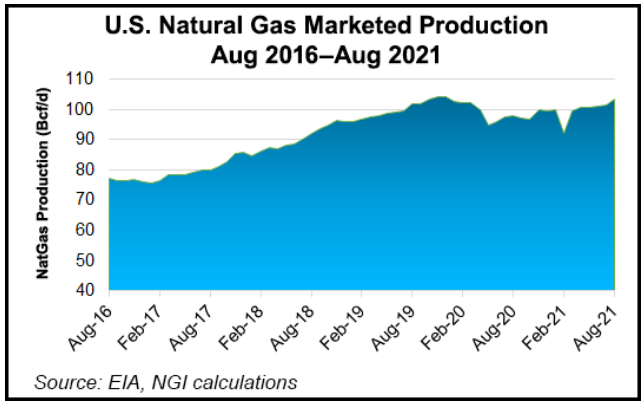
"Unsurprisingly, the largest absolute increase has been in the Permian Basin, which has experienced an increase of 240 rigs over the past year."

In the Permian, gas takeaway constraints have led to the current planning of about 40 Bcf/d of regional gas pipeline capacity expansions through 2024, researchers said.

The Permian constraints include limited infield gathering and processing capacity, as well as "the need for additional longer-haul transmission pipeline capacity to move natural gas out of the Permian to Gulf Coast markets," the authors said.

Alleviation of these constraints should incentivize less flaring of gas in the region and help to narrow the basis discount of gas at the Waha hub in West Texas relative to Henry Hub, researchers said.

"But whether increased flaring and Waha basis discounts are exacerbated or relieved over this next year will be determined by the speed in which production comes back online relative to these infrastructural investments coming online."



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