



Chairman Wayne Christian
Commissioner Ryan Sitton
Commissioner Christi Craddick
Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

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 Christian and Commissioners Craddick and Sitton,

I write to you today to voice our concern regarding the proposal to prorate oil production in the state of Texas. I am the president and CEO of Securing America's Future Energy (SAFE), a nonpartisan organization committed to reducing our nation's oil dependence. To strengthen U.S. energy security, SAFE advocates for a comprehensive solution consisting of supporting domestic oil production, while advocating for measures to increase fuel diversity in the transportation sector and create fuel choice for consumers using American natural gas, electricity, or hydrogen.

SAFE appreciates the calls to counter Saudi Arabia and Russia's exploitative oil price war that has the U.S. energy production industry — the Texas Miracle — squarely in their crosshairs. SAFE equally appreciates the need to bolster this industry that's so vital to our country's economic and national security.

While Saudi Arabia and Russia have agreed to a production deal, the problem for domestic producers has not been solved. While output reductions may provide short-term relief, they will not cure the significant global impact on oil demand driven by COVID-19, and the long-term consequences of this approach are likely to have profound adverse effects on our nation's energy security goals.

As proponents of ending the power that the oil cartel and its actions have had on the United States over almost 50-years, SAFE believes we ought not respond to manipulation of the oil market by engaging in government-led market manipulation ourselves. That would mock American values rooted in free and fair markets. Moreover, it would validate OPEC and its allies' decades-long collusion on production and price which has created the volatility that has harmed U.S. businesses, consumers, and the oil industry itself over the past five decades. In addition, that would begin to undermine our country's overall antitrust regime — one of the strongest in the world in part because we hold ourselves to a higher standard.

Prorating would fail to address the wider structural oil market deficiency affecting our domestic energy industry. The United States, rightfully, is proud of its energy producing leadership in the world. Texas is a driving force in that regard. Regardless of how much oil we produce, however, the market remains dominated by the cheap oil in countries that do not share our values or interests.

Led by Saudi Arabia, the cartel has a plan used over these decades to induce boom-bust cycles designed to harm our American economy. It achieves this by withholding output to drive up prices and accrue revenue, then sharply increasing production to crash the price of oil to harm the domestic oil and gas industry, eliminating competition and cementing Saudi Arabia's grip on the global market. The tactic has been used to devastating effect in 1986 and 2014 as just two recent instances. Now Riyadh and Moscow have seized upon the reduced demand and concomitant low prices caused by the coronavirus to do so again.

In addition, the human and economic toll more broadly have been harmed incalculably. Before COVID-19, every major recession in the United States has been preceded by, or occurred concurrently with, an oil price spike that was caused by instability in the Middle East, or the actions of OPEC or a key member to withhold supply. The United States has spent blood and treasure to fight wars in the Middle East as well as put our troops in harm's way securing oil supply lines.

The Commission and United States must weather the current situation and pursue a comprehensive solution. The United States should be pursuing an agenda to break up the cartel, as forcing more market transparency and price discovery is a better approach for our domestic industry and country in the long term. Restating our commitment to free and fair markets, which the Texas Railroad Commission has an important part in doing, is paramount. Attempts to placate the cartel have failed for almost the past 50 years, so a more proactive stance that raises the cost to OPEC of market manipulation is crucial.

SAFE therefore urges the Commission not to take the extraordinary step of curtailing oil production in the state. I am happy to engage further on this important issue. Please do not hesitate to contact me at rdiamond@secureenergy.org or by phone at (202) 746-4611.

Best regards,

A handwritten signature in black ink that reads "Robbie Diamond". The signature is written in a cursive, slightly slanted style.

Robbie Diamond
President and CEO
Securing America's Future Energy