

I am a data driven independent public policy analyst. My comments will address the proposed use of the three times reserves to decommissioning cost ratio proposal.

### **Oil is the new coal**

Because of the technology revolution of hydraulic fracking created the abundance of oil and gas production. This abundance caused the replacement of coal as the source of energy for electricity generation. It also is forcing the closure of nuclear electric plants, because they are not cost competitive. Solar and wind generation of electricity has also emerged. Coal is being driven out of the market because it is a high cost and a dirty fuel.

A similar process is occurring for oil. Oil is primarily the fuel for transportation. Oil as a transportation fuel is facing competition from cheaper and cleaner fuels. Oil is challenged by the adoption of EV (electric vehicle). In Norway 80% of new car sales are EVs. In California, Tesla has the top two models in new vehicle sales. This link shows that EV has lower fuel cost than gasoline powered cars (<https://www.pluglesspower.com/learn/driving-electricity-cheaper-gas-50-states/>). EIA reports that alternative fuels are generally cheaper than gasoline ([https://afdc.energy.gov/files/u/publication/alternative\\_fuel\\_price\\_report\\_april\\_2023.pdf](https://afdc.energy.gov/files/u/publication/alternative_fuel_price_report_april_2023.pdf)). Further is the threat to oil from regulation. California plans banning the sale of gasoline powered cars in 2035 and heavy trucks by 2045. Finally, there are other technologies under development like hydrogen and fuel cells.

In recent history the price of oil went negative briefly. The stock market places a larger market cap for Tesla than Exxon Mobile. The only way oil can remain competitive as a transportation fuel is price cuts. Is oil in the ground a depreciating asset?

### **Correlations of Failures**

If a single oil company fails, then bargain hunters will be interested in obtaining distress assets. However in the event of multiple concurrent failures will there be enough bargain hunters to take up the glut of distressed assets? Recent history has showed the multiple bankruptcies do occur (<https://wolfstreet.com/2020/07/10/the-great-american-shale-oil-gas-massacre-bankruptcies-defaulted-debts-worthless-shares-collapsed-prices-of-oil-and-natural-gas/>). Will a wave of bankruptcies leave the government responsible for decommissioning expenses?

## **Conclusion**

Use of oil in the future is threaten because there are abundant cheaper and cleaner energy sources available. The government is exposed to the risk of a wave of failures of oil companies.

Don't adopt this proposal.

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