

Penta Policy Insiders

Texas Insights Review

Energy

December 2023
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Executive summary

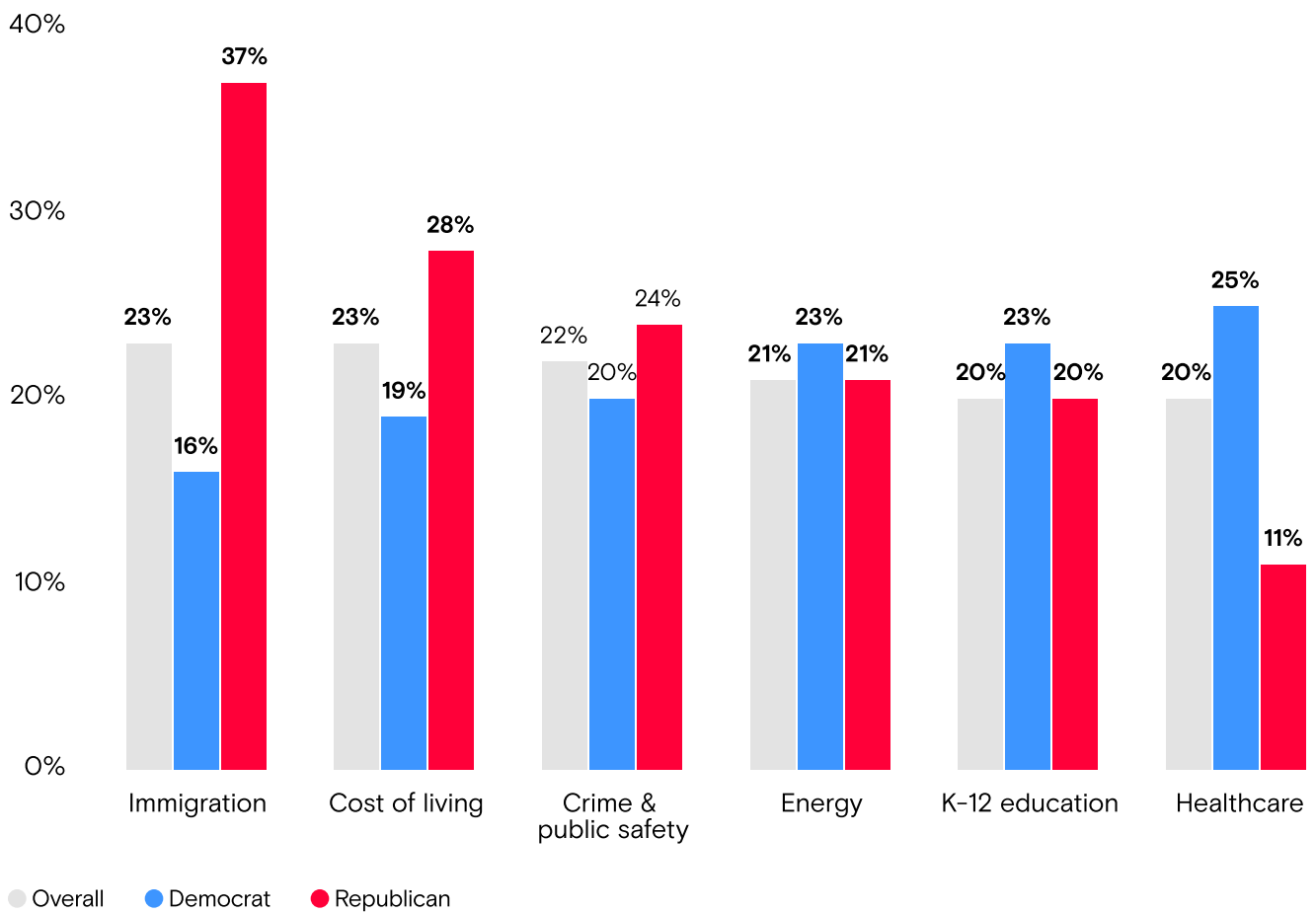
We are pleased to share our findings in this year's Texas Insights Review. From May to July 2023, we spoke to over 220 policymakers in the state to learn about their policy priorities and the top issues facing their communities.

Immigration and the cost of living are the top concerns among Texas policymakers, with almost a quarter of policy staff identifying the issues as individual leading priorities. Both issues are higher priorities for Republicans in the state. Crime and public safety is also a significant issue for the Lone Star state, with policymakers on both sides of the aisle identifying challenges, particularly in relation to immigration concerns. Energy, K-12 education, and healthcare are other top priorities for policymakers across the state of Texas.

This report is the fourth in a series that examines four of Texas policymakers' top priorities, which include (i) crime and immigration (ii) cost of living (iii) energy and (iv) K-12 education.

Top policy priorities in Texas

Multiple selections permitted



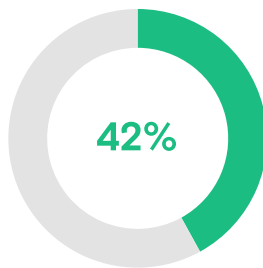
Texas deep dive

Energy

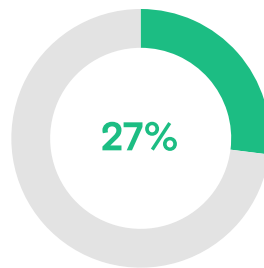
The energy industry in Texas plays a significant role on both a national and international scale. As one of the major economic drivers in the state, the continued growth of the energy sector is a top priority for policymakers.

Texas is one of the top ten largest producers of crude oil across the globe and accounts for 42 percent of crude oil production in the United States.¹ In addition to being the top producer of oil and gas, Texas has an abundance of renewable resources, including a high potential for wind and solar energy.² Despite its position as a national and global leader in the energy space, Texas has faced challenges for years, especially when it comes to the stability of its power grid – a problem that policymakers say needs a lasting solution. Diversifying the state’s energy portfolio is one tactic Texas policymakers believe will help maintain the state’s position as a global leader in the industry.

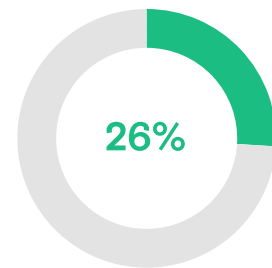
Amount of the nation’s energy produced by Texas³



Crude oil



Natural gas



Wind sourced electricity



The question for me is **what does Texas need to do to continue to be the energy leader that it is globally?** And unquestionably, **I think that means to diversify your energy assets** and to increase your hold on solar, wind, and biomass, and aqua farms, all that stuff?

General Counsel, Texas State Senate, D



The reality is – China is creating more natural resources by the day. We've got partnerships that we're seeing with the Middle East and with China and with Russia, and **if we don't compete on a natural resources level, and on oil and gas, then we're going to be in a lot of trouble in the future. Not just in Texas but in America as a whole.**

Representative, Texas House of Representatives, R



It goes without saying that Texas is an oil and gas state, for sure. But understanding the issues that we have faced in the last few years as it relates to unreliability, and that posing a question in everyone's head of what our future looks like as an energy leader, I've definitely enjoyed engaging in conversations about what different avenues could be made possible to supplement the growth and need of the state. Because **I think at the end of the day a lot of this conversation is being intertwined with just safety and reliability.**

Executive Director, Texas Legislative Caucus, D

Environmental and economic impacts

Policymakers are continuously looking to improve the energy space while mitigating environmental impacts. Inclement weather, including cold and heat waves, has been a particular concern for policy leaders, who worry that the state's electric grid can't sustain extreme weather fluctuations.



The power grid has not been sustainable for the number of people and households that currently have. And so **it does cause quite a bit of problem for constituents when it comes to keeping the heat on in the winter, keeping the air on in the summer months**, which we suffer terribly hot summers here in north Texas, we've got those cold winters.

Representative, Texas House of Representatives, D



We're continuously seeing high levels of heat and flooding and natural disasters. And I know that folks are always kind of on reserve for how to anticipate the next disaster. So I think climate and environmental issues are top of mind for a lot of the state, especially on the coast.

Executive Director, Legislative, D



I guess one of my bigger concerns in asking those questions is that **do we have enough power on the grid to support all of the growth** that we're experiencing? I mean, I don't know if you remember the storm of 2021 where we lost everything.....**While I love seeing the windmills and I love seeing the solar, those don't really function very well in extreme scenarios.** Like right now we're having a lot of heat here in Texas and we're pushing that grid pretty hard.

Mayor, Texas State Municipality, I

Policy leaders are also considering the economic impacts of the energy industry in Texas. Some note that the oil and gas industry provides a high volume of jobs and stimulates the economy in a positive way. However, others argue that further expansion into the renewable energy space will also create jobs and more opportunity for Texans. Policy staff on both sides of the aisle acknowledge how significant the energy industry is to the state economy.



The oil and gas industry is really beneficial to Texas.

I mean, it funds our universities. It funds our state government. **It's extremely important and it produces a lot of jobs**, South Texas, West Texas. Those are the good things. Jobs in the oil and gas industry have transformed those areas.

Government Relations Staff, Executive, D



All the oil and gas jobs have been really good for the state economy and for a lot of its ordinary people. And **I think that there's a path for those renewable energies to sort of provide jobs and maybe continue to help the state** in the way that the oil and gas industry has.

Government Relations Staff, Executive, D



Our state is dependent upon fossil fuels.

...anything that would stall or impede our process of oil and gas production would be detrimental to the Texas economy.

Representative, Texas House of Representatives, R



As far as their focus on energy, look, I leave that to the industry to figure out where they want to focus on there. What I like to hear from them is, again, what they're doing new, but **I also like to hear the benefits that it brings to the state. How many jobs is it?** What's the average pay? What are they paying in severance taxes that fund our schools?

Senator, Texas State Senate, R



But not to say that we don't want to look at some of the renewables, but so far, the only thing that makes renewables profitable is government subsidies. And if you can't run a business profitably without government subsidies, it's not a viable business in my mind.

Representative, Texas House of Representatives, R



I think just my experience relative to Texas is that **renewables are cost competitive to the point that they are cheaper most times than traditional fuel sources if not right on the mark.** And so I think as long as generally specifically the experience in Texas... renewables will very rapidly become the dominant energy source at least in this state.

Chief Strategist, Texas House of Representatives, D

Debating energy sources

Policymakers across party lines have varying perspectives on which energy sources should be prioritized, with the debate often coming down to the benefits and drawbacks of fossil fuels versus renewable sources.

Proponents of fossil fuels suggest that the oil and gas industry is not only the most reliable source of energy, but that is essential to the stability of other sectors in the state. Supporters of renewable energy, on the other hand, say that Texas has an abundance of untapped resources that could be further developed and utilized.⁴ Despite policy leaders having a wide range of opinions regarding energy, many agree that both fossil fuels and renewable resources are vital to the future of energy in the state.



Fossil fuels fund our public education system in Texas. They fund our transportation system in Texas. They're a large portion of our state budget. The backbone of our economy and important to electricity production. In Texas, they power our grid. So **there's not a more important industry to Texas than the oil and gas industry.**

Representative, Texas House of Representatives, R



And time and time again as we've invested literally millions and millions of dollars into solar and wind, it comes back to bite us because in the times we need it most, solar and wind do not produce the type of energy that Texas needs. It doesn't make sense for our climate. It doesn't make sense for the grid at all.

Representative, Texas House of Representatives, R



The demand is not for oil and gas. The demand is for energy. So **we need to be able to shift where the supply is coming from to something that's more sustainable** and that's going to be able to sustain the increasing population we're having in our state.

Chief of Staff, Texas House of Representatives, D



Then at a massive grid level, there are not enough power lines and not enough capacity to actually transmit the renewable energy across the state, so that's limiting the amount of wind and solar projects that can come on line in West Texas, where the majority of those projects are, and getting them to the cities."

Chief Strategist, Texas House of Representatives, D



Texas is incredibly rich in natural resources and oil and gas and this is something that we've got to allow to continue to go. ... This has to be something that is prioritized here, now, and in the future.

Representative, Texas House of Representatives, R



I'm open to diversification. I think that's important. I just feel like we've got to make sure that we are sticking with the basics as well. There's nothing wrong with solar and wind. It just shouldn't be our main source.

Representative, Texas House of Representatives, R

A diversified energy portfolio

While there are ongoing debates about which energy sources are best for the future of Texas, policymakers agree that diversifying the energy portfolio and promoting a combination of both renewables and fossil fuels is key.



The biggest thing I believe is **there needs to be a balanced portfolio of energy resources. And that includes nuclear, renewables, fossil fuels.** And there needs to be a commitment to doing them as clean as possible. And there are a lot of technologies out there that achieve that. But I do think we need more thermal energy for our energy security.

Deputy Director, Executive, R



I think diversifying and realizing that [some energy is] finite and that we need all sorts of energy sources for our state and to keep things moving is a smart idea...I'm always worried about where we're headed and so any kind of renewable or any kind of diversifying our energy sources, I'm all for.

Senior Staff, Executive, D

Conclusion

Policy leaders have differing opinions on which energy sources will be the most beneficial to Texas's future, with some advocating for fossil fuels due to their reliability and others supporting renewable energy due to the abundance of untapped clean energy resources in the state. However, there is consensus that maintaining the state's position of leadership in the industry is crucial, and that diversification of Texas's energy portfolio will help achieve that goal. Environmental concerns, particularly the resilience of the power grid during extreme weather, are another priority for many policymakers. Policy leaders are also evaluating the economic impacts of the energy sector, highlighting the significance of the oil and gas industry to the job market – though some argue that expanding further into the renewable energy space could also create opportunities. However policymakers proceed, Texas is looking to retain its position at the forefront of the nation's energy landscape.

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Citation

1. https://gov.texas.gov/uploads/files/business/Energy_Snapshot.pdf
2. Ibid
3. <https://www.eia.gov/state/?sid=TX>
4. <httpwww.instituteforenergyresearch.org/fossil-fuels/gas-and-oil/texas-an-energy-and-economic-analysis/#:~:text=Although%20Texas%20is%20not%20a,Texas%20and%20the%20Lower%20Red.s://w>

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