

- I studied Industrial Engineering & Operations Research and Petroleum Engineering
- My positions: Reservoir Engineer, Industrial Engineer, Corporate Planning, Management
 - 1968 summer employment at Signal Oil & Gas (Huntington Beach, CA)
 - 1969 summer employment at Humble Oil & Refining (Tomball, TX)
 - 1970-1972 Humble Oil & Refining (Western Division: Century City and Long Beach, CA)
 - 1972-2012 American President Lines, NYK Lines, California EPA (Air Resources Board)
- I practice objective scientific analysis daily on the job and in my personal decision making

Whether one believes that the current oil and gas price war initiated by the Saudis—in response to U.S. oil and gas boom and exuberant drilling and production in “unconventional” tight formations—will lead to the financial collapse of our petroleum industry as it faces debt defaults and insolvency, or that 195 nations successfully implement policy that will aggressively reduce CO₂ and other greenhouse gas emissions—as a result of COP21—we must demand that oil and gas companies act in the Public and National Interest as they exercise Fiduciary Duty in the interest of investors.

I agree wholeheartedly with the recommendations in the Executive Summary, with two exceptions:

- 1) The context of Issues 1-7 essentially defines “energy” predominantly as **petroleum** energy:

“While the commission continues to establish production allowables and seeks to prevent waste of natural resources, its actions no longer control oil markets or oil prices as they once did. Today, the commission is also concerned with other aspects of the energy industry, including preventing pollution, well plugging and site remediation, and other activities like pipeline safety and damage prevention, surface mining of coal and uranium, rate regulation of gas utilities [given to PUC by Issue 2], and regulation of alternative fuels [no other mention].”

Renaming the **Railroad Commission** as the **Energy Resources Commission**—lacking any specific reference to wind, solar photovoltaic, concentrated solar thermal, geothermal, nuclear, tidal, or yet-to-mature carbon-free energy technologies—remains just as misleading.

Therefore, I believe **Oil and Gas Resources Commission** or **Extractive Energy Resources Commission** more accurately reflects the recommended purview of the Railroad Commission.

- 2) The recommendation to “continue the agency for 12 years” should be changed to **16 years**.

I believe the industry lacks self-discipline and requires regulation to guide and control ill-fated exuberance demonstrated in the current over production which has resulted in a glut of oil and gas inventories, and its demise. The glut is detrimental to the industry’s financial health in the short term, and likely the long term, as well. It is already causing defaults and bankruptcies.

I recommend to “**continue the agency for 16 years**” on the basis of scientific assessments that we must steadily ween global society off the combustion of carbon-based fuels—at a rate of 6% per annum as documented in the Dr. James E. Hansen et al December 3, 2013 paper “Assessing “Dangerous Climate Change”: Required Reduction of Carbon Emissions to Protect Young People, Future Generations and Nature” (bit.ly/HansenPLOS) and in the German Advisory Council on Global Change (WBGU) November 1, 2008, paper “Solving the climate dilemma: The budget approach” (bit.ly/WBGU-2009). Refer to attached WBGU Figure 3.2-1

Given the COP21 195-nation aspiration to limit the increase in average global temperature to 1.5°C over the pre-industrial level, the urgency to abandon combustion of carbon-based fuels leads me to also recommend the following, based on the above-referenced peer-reviewed papers:

- I recommend the Texas Railroad Commission abandon the assignment and enforcement of **production allowables** during the remaining 16 years as the effort is a distraction from the focus needed and will not contribute to the end-game: winding down the petroleum industry.
- Your focus in the future should be on coordinating the petroleum industry in developing and implementing a thoughtful and effective schedule of shutting down and dismantling oil and gas infrastructure, including wells, pumps, steam generators, pipelines, compressors and refineries. Curtailing production of fossil fuels in a predictable, managed decline will create a *de facto* carbon tax that will level the playing field and accelerate their replacement by carbon-free fuels.

From: [Sunset Advisory Commission](#)
To: [Janet Wood](#)
Subject: FW: Public Input Form for Agencies Under Review (Public/After Publication)
Date: Tuesday, August 23, 2016 11:30:15 AM

-----Original Message-----

From: sundrupal@capitol.local [<mailto:sundrupal@capitol.local>]
Sent: Tuesday, August 23, 2016 10:23 AM
To: Sunset Advisory Commission
Subject: Public Input Form for Agencies Under Review (Public/After Publication)

Agency: RAILROAD COMMISSION TEXAS RRC

First Name: Doug

Last Name: Grandt

Title: retired

Organization you are affiliated with: none

Email:

City: Austin

State: Texas

Your Comments About the Staff Report, Including Recommendations Supported or
Opposed: Two suggestions for Issue 1 were submitted in my written testimony yesterday at the Sunset hearing.

Any Alternative or New Recommendations on This Agency:

Dear Chairman Larry Gonzales and Sunset Commission Members,

Yesterday, I had the pleasure to address you at the Sunset Review hearing in Room E1-026. Although I was prepared to speak to the high points of my written testimony, I realized that it would not be possible to cover the breadth of my suggestions in just 3 minutes, so I spoke only to the final paragraph, and luckily finished within the allotted time.

The purpose of this communication is simply to follow up and explain and emphasize why I chose that particular topic yesterday.

As I stated in my oral testimony, on Thanksgiving two years ago, Saudi Arabia initiated a price war on oil in response to U.S. over-production of unconventional tight oil deposits. Since then, I have realized that the consequences of American oil renaissance and exuberant boom of drilling and production has demonstrated that our petroleum industry has no self-control and we have brought on the Saudi response with our unbridled resurgence in the global market.

The current half-trillion surplus barrels of crude as well as the glut in refined fuels and gas has resulted in rock bottom prices that Saudis are determined to sustain in order to maintain their market niche, knowing that there is a sunset on production as a result of climate policy that is unfolding steadily—Saudis are resolved to get their petroleum reserves to market while there is still a global market, at any price.

What I have feared (coming up on two years now) is that American oil drilling, production and refining companies

will succumb to the low prices and go out of business rather than operate with sustained negative profits. My biggest fear is that key players will go belly up and precipitously curtail supplies in unprecedented irreversible quantum declines and leave the American public and industry with supplies of fuel insufficient to conduct normal business and societal activities.

Insufficient diesel, kerosene, gasoline and other refined petroleum fuels would bring our economy and society into catastrophic chaos.

Forty-five years ago, I learned about production allowables at the Humble Oil & Refining 1971 Reservoir School. It was explained that the process was a conservation measure, to control the competition to get one's share of sequestered petroleum and greed to get more than the competition. The industry needed an external means of restraint because the industry had no self-restraint. What I learned from the gentleman in charge of the 1971 Reservoir School was that innovation in the application of the production allowables was rewarded, and that maximizing production and profits within the constraints imposed by regulation was the bottom line objective.

ExxonMobil CEO Rex Tillerson recently emphasized the profit motive in response to Charlie Rose's interview question to Mr. Tillerson on March 7, 2013: "What is your philosophy?"

Rex Tillerson responded to Charlie's question was simple and telling: "My philosophy is to make money. If I can drill and make money, then that's what I want to do."

As a Corporate Citizen, Humble Oil (now ExxonMobil) expected us engineers to do all we could to maximize returns on investment while staying within the legal parameters of regulation, and to be innovative in pushing revenue to the limits of what is allowable.

Today, the industry as a whole has pushed revenue to the limits to their own demise. The glut has resulted in oil and gas prices that has driven fully one-third of drilling companies into bankruptcy and arguably a collapse in drilling activity. Wells drilled at the height of the boom lay idle awaiting prices that will justify completion. Tight shale production declines so rapidly that replacement wells are required to maintain steady flows of crude, yet low prices make it uneconomical.

Houston, we have a conundrum!

Lack of feedstock will drive refineries to throughput sufficiently low to prohibit operation, and the downstream machine will suffer irreversible damage.

The Texas Railroad Commission has an important role to play to keep the industry alive and well, even if it has to operate at a loss. You must bring the industry leaders together to solve the conundrum how to continue to supply much-needed gas and liquid fuels to the economy. Competition and proprietary information deter cooperation among oil and gas operators.

How to exercise Fiduciary Duty while acting in the Public Interest and National Interest? Indeed, the conundrum is a National Security issue.

The Texas Railroad Commission must have a total make-over and become the central point of cooperative discussion and decision making for the benefit of society, more than parochial interests of individual competing corporations.

The Texas Railroad Commission must prepare and guide the industry through the challenges it will face in the end-game as it is replaced by less expensive sustainable carbon-free energy technologies. The industry's demise is imminent, and its captains are in denial.

Your task is to wake them to the fact that they must act responsibly for the common good.

I proposed eliminating production allowable enforcement which is a central activity of the Texas Railroad Commission. To continue focusing on an activity that is destined to become meaningless as we ween ourselves

from oil is a distraction from the crucial management of winding down production and refining operations over the next two decades—peer reviewed papers suggest that we need to abandon the combustion of carbon-based fuels within about 16 years (two papers on this are referenced in my written testimony submitted at yesterday's Sunset hearing).

The Texas Railroad Commission must become instrumental in guiding and facilitating the petroleum industry in the winding down of operations and dismantling of infrastructure as the fossil fuel era comes to an end.

Sincerely yours,
Douglas Grandt

My Comment Will Be Made Public: I agree