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MONDAY MORNING QUARTERBACK ENERGY MARKETS CEO BRIEFING NOTE

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the Oil & Gas Industry’s Big Pay Day
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“One Big Beautiful Bill Act”: Be Careful What You Wish for as the Oil & Gas Industry’s Big Pay Day may have a Bite in its Tail. . .?

The passing of the “One Big Beautiful Bill Act” represents a monumental legislative victory for the oil and gas industry. After years of strategic lobbying, industry advocates have successfully dismantled regulatory barriers, secured favorable tax conditions, and streamlined pathways for greater fossil fuel production and export capabilities. However, this triumph also brings with it complex implications that may ironically pose risks and challenges even as it fulfills the industry’s long-standing policy wishlist.

By Sean Evers, Managing Partner, Gulf Intelligence

At the core of the bill is a comprehensive rollback of regulations, royalty rate reductions, and a guarantee of frequent leasing activities. By significantly lowering costs and barriers for exploration and production—particularly in previously restricted areas such as offshore regions and Arctic territories—the bill could trigger an unprecedented surge in U.S. fossil fuel output. In the short term, this supply boost is expected to enhance U.S. market share, bolster job creation, and drive substantial investment into domestic infrastructure.

Yet, herein lies the industry’s first major challenge: the very real risk of price volatility and market oversupply. Historically, rapid increases in fossil fuel production—absent parallel increases in global demand—often lead to depressed prices and reduced profitability. The industry’s newfound regulatory freedoms may lead to exuberant expansion, potentially flooding the market. Oil price crashes, such as those witnessed in 2014 and briefly in 2020, underscore the vulnerability of overinvestment driven by deregulation and unchecked enthusiasm.

Moreover, with strategic petroleum reserves replenished under federal funding, traders might initially see a stabilizing factor. However, consistent intervention by the government in purchasing for reserves could artificially prop up prices temporarily, distorting genuine market signals and potentially leading to complacency among producers.

LNG Export Bonanza and Global Market Dynamics

One of the significant provisions of the bill includes substantial support for liquefied natural gas (LNG) exports. Removing bureaucratic delays and streamlining approvals for LNG terminals positions the U.S. as a more formidable competitor in global gas markets. While advantageous for U.S. exporters, this shift carries strategic implications for global trading relationships, potentially intensifying geopolitical tensions.

Increased American LNG exports could lead to fierce competition in markets traditionally dominated by producers such as Qatar, Australia, and Russia. This competition might force these producers into aggressive market defense strategies, including price undercutting or increased production, further exacerbating global oversupply risks. Ironically, the industry’s own success in lobbying for export freedom could thus trigger destabilizing international market dynamics and undermine the price stability it craves.

Reversal on Climate and Regulatory Reputation Risks

Perhaps the most profound consequence lies in the broader reputational and political risk for the oil and gas sector. By aggressively pursuing a legislative rollback of clean-energy incentives and methane regulations, the industry risks alienating not only environmental advocates but also international governments committed to climate targets. The international community, increasingly aligned with renewable and low-carbon transition goals, may perceive the U.S. and its fossil fuel sector as regressive or obstructive actors.

This perception could have tangible economic and regulatory consequences. International investors, driven by ESG (Environmental, Social, and Governance) criteria, may reconsider or even retreat from U.S. fossil fuel investments, seeing them as incompatible with long-term sustainability goals. Additionally, the European Union and other OECD nations, steadfast in their climate commitments, could impose border-adjustment tariffs or other trade measures against U.S. fossil fuel products, weakening the export advantages initially envisioned by the bill.

Moreover, a robust backlash from climate-focused stakeholders could further polarize public opinion, creating political volatility that future administrations may capitalize on to impose even stricter regulations than those initially rolled back. In this sense, the industry might face a pendulum effect, with temporary regulatory relief replaced later by even more stringent oversight and ambitious climate policies.

Technological Innovation and Competitive Edge at Stake

By shifting emphasis dramatically towards fossil fuels, the bill inadvertently undermines investment in renewable energy technologies, areas where innovation is accelerating rapidly. Global rivals like China, Europe, and Middle Eastern nations have already demonstrated strategic commitments to clean-tech leadership, positioning themselves advantageously in emerging industries such as battery technology, electric mobility, and green hydrogen.

For the U.S. oil and gas industry, doubling down on traditional hydrocarbon extraction may inadvertently leave it technologically and competitively vulnerable in the long run. As global demand eventually pivots more decisively towards sustainable and renewable energy sources, the U.S. fossil fuel industry risks lagging in innovation and market relevance, ceding technological leadership to competitors who invested early in transition strategies.

The Paradox of Energy Security and Market Dependency

Finally, the industry’s longstanding argument that renewable transition policies threaten energy security—thus justifying its lobbying—now faces scrutiny. By aligning federal policy so closely with fossil fuels, the industry exposes U.S. energy security to a different kind of vulnerability: increased dependence on inherently volatile global fossil fuel markets.

Ironically, the removal of renewable incentives and methane regulation could paradoxically diminish resilience. Greater reliance on fossil fuels reduces diversification in the energy mix, potentially making the U.S. more susceptible to geopolitical disruptions or global price shocks. Far from securing energy independence, the U.S. could be intensifying its exposure to global market fluctuations and geopolitical manipulations.

Conclusion: Navigating a New Reality

For the oil and gas industry, the passage of the “One Big Beautiful Bill Act” is undoubtedly a legislative triumph. Yet, it is also a classic case of “be careful what you wish for,” laden with complex risks that accompany its immediate benefits. Market volatility, reputational damages, geopolitical tension, diminished innovation, and paradoxical threats to long-term energy security highlight the nuanced reality facing industry leaders.

To navigate this new landscape effectively, industry actors must balance short-term advantages with thoughtful long-term strategies. Embracing diversification, pursuing responsible extraction, and strategically integrating renewable energy sources could mitigate emerging risks. Otherwise, the industry’s legislative success might prove fleeting, ultimately overshadowed by unintended consequences of its own making.

TOP 20 Impacts of the One Big Beautiful Bill Act on the Oil & Gas Industry:

1. Rollback of IRA royalty rate hikes

The bill reverses the Inflation Reduction Act's increased royalty rates on federal oil and gas leases from 16.67% back to approximately 12.5%. This significant rollback reduces costs for producers, improving profitability and potentially encouraging greater leasing activity by restoring lower, more industry-friendly royalty rates, especially on new developments.

2. End of methane royalty requirements

The act repeals the IRA's mandatory methane royalty requirements on federal leases, effectively removing financial penalties for methane emissions. This significantly decreases operating expenses for oil and gas operators, particularly benefiting smaller producers, though environmentalists warn it may lead to increased methane emissions and associated climate impacts.

3. Mandatory quarterly onshore lease sales

BLM is required to hold mandatory quarterly lease sales for onshore oil and gas development. This provision guarantees consistent opportunities for industry expansion and investment planning, potentially accelerating domestic energy production, especially in western states, and aligning leasing timelines more closely with market demand and industry interests.

4. Expanded offshore leasing

The legislation mandates 30 lease sales in the Gulf of Mexico over 15 years, approximately two per year, plus six sales in Alaska's Cook Inlet. This extensive offshore leasing expansion solidifies long-term stability and production growth opportunities, benefiting coastal economies and energy companies focused on offshore extraction and infrastructure.

5. Arctic leasing triggered

Four new lease sales in Alaska's Coastal Plain and the National Petroleum Reserve-Alaska (NPR-A) are mandated over ten years, significantly expanding Arctic energy development. This increases industry access to sizable reserves, yet raises tensions over environmental impacts, Indigenous land rights, and ecological concerns in these fragile Arctic ecosystems.

6. Lease "comingling" simplified

The bill facilitates the pooling or "comingling" of oil and gas production across multiple leases, allowing operators greater operational flexibility and potentially increased efficiency. Simplifying regulatory compliance encourages collaborative development, reduces costs, and may accelerate resource extraction timelines while maintaining safety and environmental safeguards as stipulated within provisions.

7. Increased state revenue share

Gulf Coast states will see an increased revenue-sharing cap from federal offshore leases, rising from \$500 million to \$650 million annually through 2034. Enhanced state funding from oil and gas activities supports regional infrastructure, coastal restoration, and economic development projects, incentivizing continued support for offshore production activities.

8. Direct Alaska revenue benefits

Alaska will directly receive between 50% and 70% of revenue from new federal leases, substantially increasing state-level income from oil and gas development. This enhances Alaska's fiscal stability, infrastructure funding, and job creation, strengthening local support for expanded fossil-fuel extraction, despite ongoing debates over environmental and sustainability issues.

9. Blowback on clean-energy incentives

Significant funding and incentives for clean-energy projects, including methane emissions reductions and renewable energy tax credits, are repealed. This deliberate shift away from green incentives redirects federal priorities toward fossil fuels, benefiting oil and gas producers but potentially delaying energy transition goals and undermining renewable investment momentum.

10. Billions in revenue raise for the Treasury

The Western Energy Alliance estimates increased federal oil and gas leasing will generate approximately \$12 billion in additional revenue, despite lower royalty rates. This sizable boost in federal income highlights how expanded leasing and production activities can financially benefit public coffers, though royalty reductions partially offset potential gains.

11. Permitting fast-tracked

Permitting processes for fossil fuel infrastructure, including LNG export terminals and pipelines, will be significantly expedited. The act introduces fee-based approvals and automatic clearances, reducing bureaucratic delays, and accelerating project completion timelines, thereby promoting investment certainty and attracting international interest to U.S. energy export infrastructure.

12. Strategic Petroleum Reserve funding

The legislation had originally allocated approximately \$1.3 billion for replenishing the Strategic Petroleum Reserve (SPR), but this was eventually reduced to \$218 million for maintenance and repairs of SPR facilities and \$171 million to purchase oil to refill the SPR.

13. Regulatory rollback & oversight cuts

Reductions in PHMSA regulatory enforcement funding and restrictions on agency rulemaking capabilities significantly loosen federal oversight. Reduced regulatory burdens ease compliance costs and administrative delays for the oil and gas industry, potentially enhancing competitiveness and profitability but raising concerns about safety, accountability, and environmental protections going forward.

14. Tax write-offs for infrastructure

The act reinstates 100% bonus depreciation for pipelines and other fossil fuel infrastructure, allowing companies immediate tax write-offs for full investment costs. This powerful incentive stimulates rapid expansion and modernization of industry infrastructure, spurring new construction and potentially increasing short-term domestic employment in energy construction sectors.

15. LNG export support

The bill removes substantial regulatory hurdles to LNG exports, simplifying DOE approval processes by introducing fee-based expedited determinations. Facilitating quicker approvals significantly enhances the global competitiveness of American LNG exports, benefiting producers by enabling rapid market entry and expanding access to lucrative international natural gas markets.

16. Jobs & growth for fossil regions

Industry advocates emphasize that expanded leasing and supportive tax policies will boost employment and local economies in fossil fuel-dependent regions. Increased activity in extraction, infrastructure, and service sectors promises additional employment opportunities, greater economic stability, and heightened revenue generation for states heavily reliant on energy-related industries and resources.

17. Lower energy cost narrative

Supporters argue emphasizing domestic fossil fuel production ensures greater market stability, reliability, and ultimately lower energy prices for consumers. They assert increased supply from expanded leasing and streamlined permitting reduces volatility and enhances U.S. energy independence, potentially shielding consumers from international price shocks and geopolitical uncertainties abroad.

18. Climate backlash warning

Critics highlight that rollback of climate-focused policies and incentives could raise long-term energy bills for consumers—potentially by \$110 to \$400 annually—due to missed efficiencies. Reduced investment in renewable infrastructure and efficiency measures risks higher future energy costs, environmental damages, and missed climate targets, creating longer-term economic liabilities.

19. US versus global leadership at stake

Energy experts caution the bill's strong fossil fuel focus could erode U.S. global leadership in clean technologies. This pivot may cede strategic advantages to competitors such as China, Europe, and Middle Eastern nations who invest heavily in renewables, challenging America's capacity to lead in emerging markets and climate-aligned economic opportunities.

20. Greater industry influence on Capitol Hill

The bill reflects substantial lobbying efforts and political donations from the fossil fuel industry, notably companies such as Energy Transfer Partners. Enhanced industry influence shapes energy policy decisions, securing substantial regulatory relief and financial benefits, raising broader public concerns regarding transparency, accountability, and the long-term alignment of public policy priorities.



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