

Energy Advisory Council

Meeting Minutes



Federal Reserve
Bank of Dallas

9:00 AM, November 20, 2024

Committee Attendees:

Gary Petersen, EnCap Investments L.P. (Council Chair)

Jim Allred, RBC Capital Markets

Jason Bordoff, Columbia University School of International and Public Affairs

Jim Burke, Vistra Corp.

Willie Chiang, Plains All American Pipeline, L.P.

Paul Foster, Franklin Mountain Investments, LLC

Jim Hughes, EnCap Investments L.P.

Ryan Lance, ConocoPhillips

Ben Marshall, Vitol Americas

L.E. Simmons, SCF Partners

Lakshmi Sreekumar, Capital One Securities

Other Federal Reserve Bank of Dallas Advisory Council Member Attendees:

Dawn Fitzpatrick, Soros Fund Management

Federal Reserve Bank of Dallas Directors in Attendance:

Thomas Falk, Kimberly-Clark Corporation (retired)

Cindy Taylor, Oil States International, Inc.

Federal Reserve Attendees

Tyler Atkinson, Amy Chapel, Jeff Garrett, Lorenzo Garza, Garrett Golding, Jim Dolmas, Vaughn Hajra, Ally Hoffman, Lutz Kilian, Deborah Kilroe, Adam Koudaih, Lorie Logan, Karel Mertens, Benjamin Munyan, Anthony Murphy, Sai Nori, Kunal Patel, Daron Peschel, Michael Plante, Thom Quint, Sasha Samperio, Samuel Schulhofer-Wohl, Seth Searls, Michael Schetzel, Elizabeth Souder, Jody Stanley, Reid Taylor, Jesse Thompson, Mark Wynne, Rebecca Zarutskie

Administrative

The Chair called the meeting of the Energy Advisory Council (the “Council”) of the Federal Reserve Bank of Dallas (“Dallas Fed” or “Bank”) to order at 9:00 am CST and made introductory remarks. Lorie Logan, president and CEO, greeted members. Daron Peschel, senior vice president, outlined the meeting protocols and provided meeting logistics. Jody Stanley, corporate secretary, delivered the review of the Bank’s antitrust policy.

Financial Sector Advisory Council Update

Dawn Fitzpatrick, chair of the Financial Sector Advisory Council (“FSAC”), delivered an update regarding the FSAC meeting, which took place on November 19, 2024. She reported the topics discussed in the meeting included key economic and financial trends in the U.S. and globally, lessons from recent movements in money market conditions, and other risks in the financial system and markets.

Dallas Fed Energy Survey and U.S. Production Outlook

Mr. Patel delivered the presentation on the Dallas Fed Energy Survey results and the outlook for U.S. production. The presentation was a recap of the third quarter 2024 energy survey results (publicly released on Sept. 25, 2024), trends in the U.S. oilfield, and the 2025 outlook for U.S. crude oil production. Discussion ensued regarding challenges around oilfield electrification and the 2025 outlook for global crude oil production and consumption.

Discussion of Energy Sector Capital Spending Outlook

Council members discussed the capital spending outlook for various segments of the energy industry. Members noted that 2025 U.S. capital spending for both upstream oil and gas and renewable energy such as wind power and solar power is expected to be close to that of 2024. Members highlighted that E&P firms have recently been benefiting from continued service cost deflation, and oilfield efficiency continues to improve. Members further discussed that investment in low-carbon projects such as hydrogen and carbon capture has been slower than initially expected a couple years ago, due to project economics.

Council members discussed that there is concern that some portions of the Inflation Reduction Act may be removed in the coming years. Regarding building infrastructure, members mentioned repeatedly a need for permitting reform. Discussion ensued regarding the impact of proposed tariffs on the industry, and whether meaningful permitting reform is possible.

Discussion of U.S. Power Demand and Nuclear Power

Council members mentioned that the U.S. has gone through two decades of little to no power demand growth, but current forecasts indicate that power demand will grow over the next decade. Members indicated that some portion of this increase is due to increasing power demands for data centers; given that hyperscalers are looking to increase power demand immediately, council members expressed that new natural gas power generation could meet these needs as it has a shorter lead time compared to building nuclear generation.

Members indicated that new nuclear power plants take decades to build in the United States. Restarting a nuclear plant will have a shorter time horizon, but there is a limited number of plants that can be restarted. In competitive power markets, it was mentioned that the main challenge to building new nuclear generation capacity is that the price of power isn't high enough to make projects economical.

The Council then discussed options that would allow for new nuclear power generation to be built in the United States. It was mentioned there is a need for shared risk between stakeholders when building new traditional nuclear power plants in case there are cost overruns. Additionally, if there is an approved single plant design, it would reduce permitting time and allow for learning as more reactors are built. As it related to advanced nuclear, Council members mentioned that the Texas Advanced Nuclear Reactor Working Group released a report providing seven legislative recommendations to moving advanced nuclear forward in the state of Texas. This includes streamlining permitting, workforce development, developing and fostering a nuclear ecosystem in Texas, public outreach, and funding.

Discussion of Other Risks in the Energy Sector

Members mentioned a wide range of risks. A member mentioned concern regarding social unrest and the impact of higher interest rates and rising government debt. Another member mentioned a risk that extended delays to get clarity on tax credits related to the Inflation Reduction Act could slow bank lending for projects. Lastly, a member mentioned concern regarding whether generative artificial intelligence will be able to scale at the enterprise level.

Adjournment

The Chair adjourned the meeting at noon.