To Our Clients and Friends:

On January 27, 2021, Climate Day, President Biden issued two Executive Orders and a Memorandum addressing climate change policy and scientific integrity, which include a moratorium on new oil and gas lease permits on federal lands and waters.[1] These steps build on actions President Biden took his first day in office, such as rejoining the Paris Agreement,[2] revoking the permit for the Keystone XL pipeline, and establishing a moratorium on federal leases in Arctic Wildlife Refuge.[3] The Climate Day Orders represent the President’s first comprehensive steps to tackle climate change issues domestically and internationally and implement his $2 trillion “whole-of-government” climate plan.

These Orders are expected to impact certain sectors of the American economy, including the fossil fuel industries. Most directly, the President’s moratorium on new fossil fuel lease permits on federal lands and waters may impact the domestic oil supply. Currently, legal challenges against the Orders are pending in court and legislation to block the orders have been introduced by Republicans in Congress.[4] Additionally, a battle is taking shape in an equally divided, Democratically-controlled Senate where President Biden hopes to enact sweeping climate change legislation.[5]

**President Biden’s Executive Order on the Climate Crisis: International Measures**

The President’s January 27 Executive Order, entitled “Tackling the Climate Crisis at Home and Abroad” (the “Order”),[6] announces an intent to join domestic action with international action so as to enhance global action on climate change. In Part I, the Order reaffirms the United States’ commitment to address climate change with international partners, “both bilaterally and unilaterally.”[7] The Order submits the United States to host platforms to facilitate international exchanges, such as a Leaders’ Climate Summit and the major Economics forum on Energy and Climate.[8] The Order also calls for the United States to re-enter, or enter into, existing international agreements on climate change.

For one, the Order submits “the United States instrument of acceptance to rejoin the Paris Agreement.”[9] In addition to committing domestic and foreign policy to that Agreement’s broad objectives, such as “safe global temperature” and “increased climate resilience,” the Order also calls for directing the nation’s “financial flows [in a manner] aligned with a pathway toward low greenhouse gas emissions and climate-resilient development.”[10] As part of that effort, the Order commits the United States to “pursue initiatives to advance the [renewable] energy transition . . . and [to pursue] alignment of financial flows with the objectives to the Paris Agreement, including with respect to coal financing.”[11]
Section 102(j) of the Order resolves to ratify the Kigali Amendment to the Montreal Protocol within 60 days of the Order. While the Montreal Protocol’s historic goal has been to phase out substances with high global warming potential, particularly hydrochlorofluorocarbons (HFC), the Kigali Amendment—adopted in 2016 by 170 countries, though not the United States—adopts a timeline “to achieve over 80% reduction in HFC consumption by 2047.”[12] Ratifying the Amendment and its 2047 target will likely also result in the United States’ adoption of the Amendment’s short term goals, namely “updating international standards for flammable low global warming potential (GWP) refrigerants” and supporting manufacturing and marketing of “zero GWP or low-GWP refrigerant alternatives to HCFCs and HFCs.”[13]

The Order also pledges domestic resources and funding to target international developments. First, in Section 102(f), the Order announces that “[t]he United States will also immediately begin to develop a climate finance plan, making strategic use of multilateral and bilateral channels and institutions, to assist developing countries in implementing ambitious emissions reduction measures, . . . and promoting the flow of capital toward climate-aligned investments and away from high-carbon investments.” Second, the Order asks the Secretaries of State, Treasury and Energy to collaborate with the Export–Import Bank of the United States and the Chief Executive Officer of the Development of Finance Corporation (DFC) to “identify steps through which the United States can promote ending international financing of carbon-intensive fossil fuel-based energy.”[14] The DFC is a recently formed consolidation tasked with focusing United States foreign development assistance operations that were previously spread out over several offices.[15] The DFC was tasked with investing $1 billion in transportation, information and communications technology through the Connect Africa initiative. By tying the DFC’s mission to “ending international financing of carbon-intensive fossil fuel-based energy,” the Order may result in added scrutiny from federal regulators for federally subsidized transportation infrastructure projects in Sub-Saharan Africa.

President Biden’s Executive Order on the Climate Crisis: Domestic Measures

Part II of the Order addresses climate change measures at the domestic level, drawing on domestic resources. The Order envisions both a “government-wide approach” and a strategy centralized with the newly formed White House Office of Domestic Climate Policy (the “Office”), which is tasked with overseeing all “domestic climate-policy decisions and programs,” ensuring their consistency with the President’s “stated goals” and drawing on all “assistance as may be necessary to carry out the provisions of th[e] order.”[16] The Office will be supported by a Climate Change Task Force (the “Task Force”) composed of most, if not all, cabinet secretaries, including the Secretary of Energy, as well as several Assistants to the President. The Task Force’s stated mission is to facilitate “deployment of a Government-wide approach to combat the climate crisis,” including measures “to reduce climate pollution; . . . conserve our lands, waters, oceans, and biodiversity; [and] deliver economic justice.”

Sections 207 to 209 of the Order describe President Biden’s more concrete and targeted initiatives. Section 207 requires a review, by the Secretary of the Interior, of “the siting and permitting processes on public lands and in offshore waters” to make these processes more amenable to renewable energy initiatives, with the goal of “doubling offshore wind by 2030 while ensuring robust protection for our lands, waters, and biodiversity.”
Section 208 of the Order announces a pause, or moratorium, on all “new oil and natural gas leases on public lands or in offshore waters” until a “comprehensive review and reconsideration of Federal oil and gas permitting and leasing practices” has been submitted.[17] Section 208 makes clear that such review should analyze the “potential climate and other impacts associated with oil and gas activities on public lands or in offshore waters.”[18] Because the Order does not delineate the timeline for such review, the duration of the moratorium is uncertain.[19]

Section 209 addresses fossil fuel subsidies and calls for the heads of agencies to identify fossil fuel subsidies provided by their agency and “then take steps to ensure that, to the extent consistent with applicable law, Federal funding is not directly subsidizing fossil fuels.”[20] This section also calls for the “elimination of fossil fuel subsidies from the budget request for Fiscal Year 2022 and thereafter.” This latter goal, as discussed below, will require congressional action.

Sections 212 to 220 of the Order establish a distinct “Interagency Working Group on Coal and Power Plant Communities” to address employees in fossil fuel industries,[21] to “revitalize the economies of coal, oil and gas,” and to “assess opportunities to ensure benefits and protections for coal and power plant workers” and their communities.[22] The Order mandates that 60 days from its date, the newly established Interagency Working Group report back to the President on these matters.

President Biden’s Executive Order on the Climate Crisis: Environmental Justice

A final segment of the Order addresses racial equity and the broader societal impacts reliance on fossil fuel production have had on certain communities. These impacts are addressed in a number of sections concerning environmental justice.[23] The Order reactivates President Clinton’s 1994 Executive Order on Environmental Justice, EO 12898 (2/11/94),[24] an order whose goals President Obama described as the “pursuit of clean air, water, and land for all people.”[25] Consistent with the goals of this Executive Order, the Biden Administration is expected to pursue racial justice and equity across the board, including in environmental justice.[26] To this end, the Order describes an initiative to ensure that 40% of the overall benefits of a renewable energy push accrue to minority communities.[27]

President Biden’s Executive Order (and Associated Memorandum) on Scientific Integrity

The Order’s opening paragraph commits the administration to listen to science. An additional order establishes the “President’s Council of Advisors on Science and Technology” (“PCAST”).[28] PCAST comprises both federal governmental employees as well as representatives from “sectors outside of the Federal Government . . . [with] diverse perspectives and expertise in science, technology, and innovation.” In addition, PCAST is instructed to “solicit information and ideas from a broad range of stakeholders, including . . . the private sector.”[29] PCAST’s advisory function is broad and discretionary, and explicitly contains within its scope policy matters affecting “energy, the environment, [and] public health.”[30]

An associated memorandum on scientific integrity[31] addresses private sector efforts to influence energy and climate policies by the current administration. Per President Biden’s Memorandum, a newly formed inter-agency task force will review “any instances in which existing scientific-integrity policies have not been followed or enforced, including whether such deviations from existing policies have
resulted in improper political interference in the conduct of scientific research and the collection of scientific or technological data.”[32]

Projected Impacts of the Order’s Moratorium

President Biden’s Climate Day Executive Orders may most concretely impact the domestic oil and gas industry through the moratorium on new permits for fossil fuel projects on federal lands. While the moratorium is expected to have minimal immediate impact on the domestic supply of oil and gas, the long term impacts from a permanent ban could be significant for oil and gas producers and western states. A permanent ban may lead to a reduction in domestic oil supply.[33] While the Order undoubtedly presents challenges for the oil industry, it also provides concrete opportunities for oil and gas companies to adopt renewable energy technology. President Biden has sent a strong message to the private sector that aggressively addressing the climate crisis is a central policy objective of his administration. Whether President Biden’s Executive Orders are followed up by congressional action or not, there will be increased incentives for companies to invest in renewable energy.

The moratorium on new drilling leases on federal lands and offshore waters affects a significant portion of domestic oil and gas production. Because large oil companies were able to mitigate the effects of the anticipated moratorium by stockpiling permits in the final months of the Trump Administration, the moratorium is expected to have little immediate impact on domestic oil supply.[34] However, smaller oil and gas companies who lacked available capital to stockpile permits and who operate in western states with large amounts of federal land will be challenged by the Order regardless of how long it lasts.[35] If the Order becomes permanent, the domestic oil and gas industry will be significantly impacted, especially shale drillers in the Permian Basin and offshore producers in the Gulf of Mexico.[36] Analysts estimate that oil companies have three to five years of approved drilling permits on federal land and one to three years of approved permits in the Gulf.[37] Once these permits expire, the United States could lose up to 300,000 barrels of production a day.[38]

The moratorium also provides further incentive for oil and gas companies to invest in renewable energy technology. In the Order, President Biden set a concrete goal of doubling wind energy production in the Gulf by 2030.[39] The Order also asks the Interior Department to review permitting processes on federal lands to make those processes more amenable to renewable energy projects.[40] The moratorium, thus, provides oil and gas companies with an opportunity to leverage their existing capabilities and invest in renewable energy technology to secure federal permits for renewable energy projects in the Gulf and on federal land.

Legal Challenges to the Moratorium and President Biden’s $2 Trillion Climate Plan

President Biden’s Climate Day Executive Orders have already drawn legal challenges. Further, to implement his $2 trillion climate plan, President Biden will need to rely on Congress to pass sweeping legislation implementing his plan. This is a tall order since Congress is sharply divided and climate policy can transcend party lines.

The first legal attack on the moratorium on federal permits for fossil fuel projects was brought in federal district court in Wyoming by Western Energy Alliance, a group representing 200 small, independent oil
companies in the western United States.[41] Western Energy Alliance challenges the Order “as exceeding presidential authority and constituting a violation of the Mineral Leasing Act, National Environmental Policy Act, and the Federal Lands Policy and Management Act.”[42] Additional lawsuits are expected as interested parties consider the interplay between presidential power and existing legislation and regulations.[43] Additionally, attorneys general from six states wrote a letter to the president warning him not to overstep his authority.[44]

In addition to court challenges, Republican Senators and Members of Congress have introduced bills seeking to block the moratorium. Wyoming Representative Liz Cheney (R-WY) introduced bills in the House that would block the moratorium on federal lease permits unless approved by a joint resolution of Congress.[45] In addition, a group of 25 Republican Senators introduced a bill that would require congressional approval to suspend fossil fuel leasing on federal lands or in federal waters.[46] These bills have little chance of advancing in the Democratically-controlled House and Senate.[47]

Beyond the moratorium on federal permitting for fossil fuel projects, the Order describes an ambitious $2 trillion plan to achieve a carbon-free electricity sector by 2035 and nationwide net-zero emissions by 2050, joining over 100 countries that have already made mid-century pledges and solidifying the United States as a global climate leader going forward.[48] To achieve these ambitious goals, however, President Biden must rely on Congress to pass sweeping legislation, which will be difficult in the evenly divided Senate. While Vice President Kamala Harris holds the tie-breaking vote to enact legislation, at least two Democratic Senators are sympathetic to the fossil fuel industries that provide jobs and revenue for their states.[49] In addition, at least two Democratic Senators oppose ending the filibuster, which, if invoked, would require 60 votes to enact legislation.[50] However, Senate Majority Leader Chuck Schumer (D-NY) has called on committee chairs to begin holding hearings on major climate legislation.[51]

If Democratic Senators are unable to push through major climate legislation, President Biden may be forced to implement his plan piecemeal, often by attaching climate initiatives as smaller pieces of bipartisan bills.[52] This approach will still be challenging. For example, President Biden plans to eliminate fossil fuel subsidies from the federal budget as early as 2022, which would free up funds for climate initiatives.[53] Fossil fuel subsidies are significant, with some estimates surpassing $20 billion per year.[54] However, most fossil fuel subsidies are in the form of tax breaks, which will require congressional action to eliminate.[55] Such a move is unlikely to pass, even assuming Democrats eliminated the legislative filibuster, as Democratic Senators, like Senators Martin Heinrich (D-NM) and Joe Manchin (D-WV), must consider the devastating effects President Biden’s Climate Day Executive Orders are already expected to have on fossil fuel production in their states.[56]

If President Biden fails to cement his plan through legislation, his Climate Day Executive Orders could be at risk of being overturned in four years. President Biden does, however, have another non-legislative option to enact his climate change plan. Senator Schumer suggested that President Biden should declare the climate crisis a state of emergency.[57] Declaring a state of emergency would allow President Biden to secure additional funding to fight the climate crisis.[58] Thus, declaring a state of emergency would allow President Biden to circumvent Congress and enact portions of his climate plan.[59]
Conclusion

President Biden’s Climate Day Orders represent the first step towards President Biden’s vision of a world in which the United States is a global leader on climate policy. These developments must be monitored closely over the years to come as they are expected to have a significant impact on fossil fuel industries, alternative energy industries, and the domestic economy more broadly.


[8] *Id.* §§ 102(a)-(b).


[10] *Id.* For the Paris Agreement itself, see https://unfccc.int/sites/default/files/english_paris_agreement.pdf.


[14] *The Climate Order, supra* note 6, § 102(h).

[15] Such operations were formerly spread out over larger and smaller offices, including the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority (DCA) of the United States Agency for International Development (USAID).


[17] *Id.* § 208.

[18] *Id.*

[19] In a recent client alert, we discussed how such a moratorium plays out at the regulatory level if implemented at, and with cooperation of, state level agencies regulating oil and gas permitting. *See* https://www.gibsondunn.com/colorados-sweeping-oil-and-gas-law-one-year-later/.


[21] *Id.* § 218.

[22] *Id.* § 218(b)(i).
[23] *Id.* § 220-223.


[27] *The Climate Order, supra* note 6, § 223.


[29] *Id.* § 3(b)(ii).

[30] *Id.* § 3(a).


[32] *Id.* § 2(b).


[37] Id.

[38] Puko et al., supra note 34.

[39] The Climate Order, supra note 6, § 207.

[40] Id.


[43] See Puko et al., supra note 34.


[49] See Gardner, supra note 5.

[50] Wise, supra note 5.

[51] Id.

[53] The Climate Order, supra note 6, § 209; Gardner, supra note 5.

[54] Gardner, supra note 5.

[55] Id.

[56] See id.


[58] Id.

[59] See id.

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