The Honorable Howard Lutnick
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue NW
Washington, D.C. 20230

The Honorable Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretaries Lutnick and Bessent:

We write to you today as a coalition of oil and natural gas trade associations representing over 80% of domestic production in the United States to offer our full assistance to fulfill President Donald J. Trump's goals for unleashing American energy. We strongly agree with the President that the success of the American economy and the prosperity of Americans relies on the ability of our association's members to prudently access and develop the abundant energy resources that our nation has generously been blessed with. The companies represented by our trade associations will be critical to America reaching the President's goal of adding 3 million BPD to U.S. production levels. Our associations also share the President's goal of moving as much manufacturing as possible back to the United States however the back and forth and uncertainty surrounding potential tariffs are threatening our members' ability to achieve these goals.

The proposed tariffs pose a significant threat to the oil and natural gas industry, particularly for the American offshore producers in the Gulf of America that drive much of the nation's hydrocarbon output. U.S. entities frequently rely on suppliers and distributors to interface with mills and maintain inventories, enabling a just-in-time supply chain that keeps production margins viable. Tariffs will likely disrupt this delicate ecosystem by inflating costs and straining liquidity, as it's often impractical for U.S. companies to hold large inventories on their balance sheets. Protecting this supply chain is critical to sustain efficient, cost-effective energy production, and tariffs risk undermining that stability to the detriment of the broader industry.

Surveys of operators in Texas indicate that steel tariffs significantly raise the cost of drilling, completing, and servicing wells for companies of all sizes, thus reducing capital available for new drilling and resource development. Further, these cost increases coupled with reduced pipe availability for all but the very large public companies disproportionately affect private independent oil and gas companies, including smaller, private service and drilling companies. Most problematically, steel tariffs have historically done little to incentivize greater domestic production of OCTG (oil country tubular goods) because the resulting higher prices increase revenue and profits on current production.

Tariffs also stand to increase cementing costs dramatically, a critical element of oilfield activity, necessary for well casing, the ongoing plugging of retired wells, and other activities. Both Canada and Mexico are among the top five suppliers of cement to the United States.

We are, therefore, concerned that without further tweaking the President's recent tariff actions will have the unintended consequence of raising the cost of energy production in the United States and causing us to be a less economical and less competitive producer of energy then many of our competitors abroad. We stand ready to work with the President to mitigate this possibility and work on ways together to achieve his goals without this unintended consequence.

One aspect of our energy system is the U.S. energy services sector. The U.S. energy services sector builds critical energy security components and technologies which are essential to energy security within the United States (and the rest of the world). These components include artificial lift systems, production enhancement tools, drilling fluids, drill bits, fracking equipment, and pipe which allow for the extraction and production of oil and gas throughout the United States. The majority of the energy services sector are either American-based or have significant manufacturing operations here in the U.S. such as Duncan and Guthrie, Oklahoma; Lafayette, Louisiana; Youngstown, Ohio; Dayton, Texas; Clearfield, Pennsylvania; Panama City, Florida; and Chesapeake, Virginia Much of the research and development, manufacturing, and supply chains for this sector drive employment in the United States. In November 2024, the energy services sector directly employed 655,630 Americans with indirect jobs well over 2 million. This sector represents $271 billion in direct economic activity in the U.S.

To compete with lower-cost foreign competition and to keep production costs as low as possible, energy service companies have diversified their supply chains to include components produced around the world. It is often the case that components will be produced abroad with final assembly of a larger piece of equipment occurring here in the United States. The energy service sector can demonstrate its commitment to diversifying supply chains away from trade partners that have been identified as hindering U.S. manufacturing goals. The work continues in this space, and we seek engagement and to provide our input on the impact of costs associated with new tariffs. Without mitigation efforts being taken, this increase in costs threatens to make U.S. production less competitive as compared to our competitors abroad thus ultimately threatening our shared goal of American energy dominance. One U.S. service company currently anticipates top line cost increases of more than $150M a year just in relation to the proposed tariff increases that have been telegraphed so far. Another leading energy service company estimates impacts of $158 million just on artificial lift. Energy infrastructure manufacturing will also be significantly impacted. A leading energy infrastructure company estimates impacts of

$241 million and another of over $57 million. Total sector impacts are still being calculated but could easily exceed $2 billion. Once full annual impacts (including distributors) are analyzed this number could easily double.

While the U.S. energy industry understands the intention of new tariffs to rebalance the trade relationship between the United States and other countries, we would like to work together to ensure that this is not done in a way that could jeopardize American energy dominance, production, and security. To ensure this, the sector is requesting that in the event of any new imposition of country-wide tariffs, the **Administration consider a "critical energy security" exclusion** that would allow the continued tariff free importation of specifically identified goods that cannot be quickly retooled to be produced within the United States to avoid a supply chain disruption. This exclusion would be time limited to give industry a runway to work with the Administration and Congress on an effort to support reshoring much or all of this production. We believe this reshoring effort is achievable and would ultimately benefit the American people as it would ultimately increase American energy security and help to insulate us from future supply chain disruptions.

Sincerely,

Energy Workforce & Technology Council
Gulf Energy Alliance
Independent Petroleum Association of America
International Association of Drilling Contractors
National Ocean Industries Association
Texas Alliance of Energy Producers
U.S. Oil & Gas Association