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State of the Oil & Gas Industry

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While the U.S. and Illinois economies continue to recover, significant concerns exist including high inflation, U.S. monetary policy, volatility in energy markets, U.S. trade and foreign policies, and more. U.S. real GDP grew by 2% in 2025. The S&P Global macroeconomic model projects U.S. real GDP will grow 2.2% in 2026.

Projected Illinois GDP growth for 2025 is expected to be a step behind the national average with projections hinting at around 1% annual growth. Illinois is facing some structural issues that creates long-term headwinds like taxes and regulations and will likely face budget deficits starting in 2026.

Energy Economics Outlook for 2026

- Global GDP outlook firmed: IMF lifts 2026–27 forecasts to 2.6%–2.7%, with fewer economies projected to slow
- U.S. consumers remain the fulcrum: 90% of GDP growth from spending; record household debt and rising delinquencies heighten risk
- Sentiment divergence: confidence remains weak overall, sustained mainly by higher-wealth households tied to equity markets
- ADS Index signals below-trend U.S. growth, with moderated momentum entering Q4

Global Oil Market

- EIA raises demand twice; global consumption now expected to grow ~1 mb/d annually through 2026
- 2024 demand revised upward by +0.5 mb/d, reinforcing record consumption
- Non-OPEC supply dominates growth; EIA still assumes U.S. slows to +0.2 mb/d in 2026—inconsistent with productivity gains
- U.S. rig productivity surges (Permian +14.1% y/y; Eagle Ford +8.7% y/y); futures remain aligned with mean-reversion expectations

Natural Gas Markets

- Record global demand continues: IEA sees +2.0% growth in 2026, led by emerging Asia
- U.S. natural gas net exports up 42% y/y to 17.2 bcf/d in November; current trends indicate the U.S. is positioned to surpass Russia as the largest total gas exporter (LNG + pipeline) in 2026
- Henry Hub above \$4.80 per million Btu, with contango curve yet storage in top 6% of five-year range
- U.S. supply fundamentals strong: productivity gains coupled with >20 bcf/d Texas pipeline expansion support growing LNG volumes



The Illinois Oil & Gas Association (IOGA) represents thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that are significantly affected by crude oil prices. The oil and natural gas industry is an important part of the livelihoods of Illinoisans throughout the state. Nationally, independent producers drill about 90% of American oil and natural gas wells; produce about 54% of American oil, and more than 85% of American natural gas. IOGA is the lead state and national advocate for the Illinois oil and natural gas industry.

Energy Economic Outlook for 2026

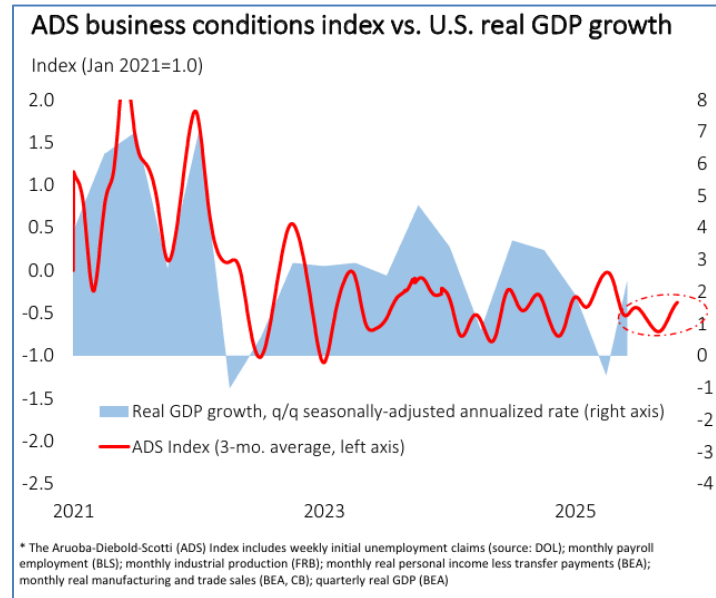
The International Monetary Fund (IMF) and other forecasters who began 2025 bracing for a near-term economic shock from trade policy changes have since pushed their expectations for the biggest impacts further into the future.

The result is a curious holding pattern. Market participants seem to follow a “soft landing” narrative, yet data like the Producer Price Index (PPI) causes concerns over inflation and uncertainty. The bottom-line for the U.S. outlook is whether financial markets can continue setting record highs and help sustain consumer spending. The outlook is far from clear.

The IMF’s end-of-2025 projections raised the global GDP growth by 0.1% for 2025 to 2.7% with 2026 largely unchanged at 2.6% and 2.7%, respectively. This reflects growth just below long-term averages and continued moderation in both the U.S. and China.

Roughly half of the world’s economies experienced slower growth in 2025, well above 2024 expectations. Outlooks for 2026 remain steady, while 2027 has turned notably more optimistic.

Business conditions remain supportive of U.S. GDP growth in 2026. The Aruoba-Diebold-Scotti (ADS) business conditions index, published by the Philadelphia Federal Reserve, provides a high-frequency snapshot of U.S. economic activity by combining data on employment, production, income, and sales. It helps businesses and policymakers anticipate near-term changes in growth conditions.



Consumer spending accounted for 70% of U.S. real GDP in 2025 and 90% of GDP growth. Household debt reached a record \$18.6 trillion in 2025. Rising delinquencies, especially auto loans, student loans, and credit cards, may tighten credit access and weigh on spending in 2026.

Dollar Swings Tie Geopolitics and Financial Markets to Oil Prices

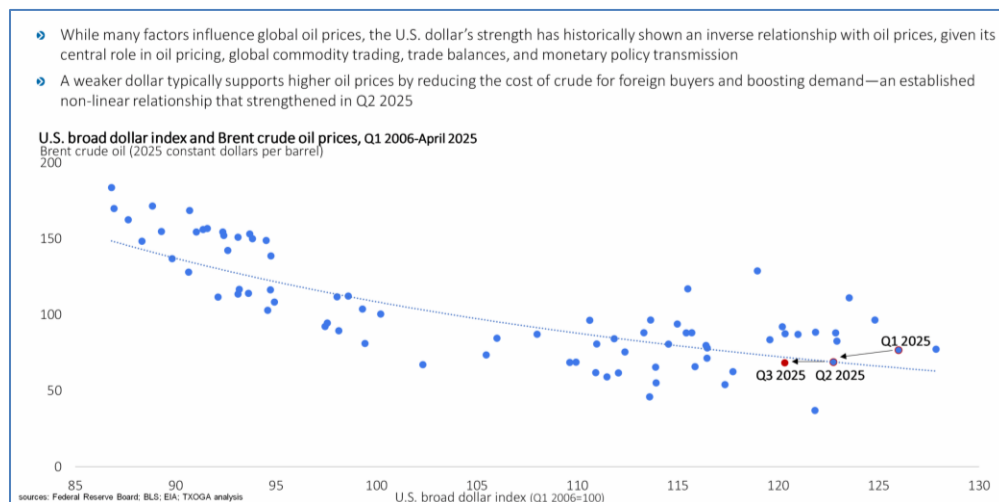
Oil and the U.S. dollar move inversely: a weaker dollar makes crude oil cheaper abroad and boosts demand, a relationship reinforced in 2025. Dollar strength is shaped by interest rates, inflation, capital flows, and geopolitical shocks.

Geopolitical Drivers:

- Middle East easing tensions lower oil price risk premium and safe-haven flows.
- Russia and other sanctions divert trade and capital, affecting barrels.
- China growth slowdown tempers demand but also shifts U.S. trade balances.

Even with ample crude oil supply, dollar depreciation in 2025 provided a tailwind to oil prices. A weaker U.S. dollar continues to support oil prices, underscoring the historically strong inverse relationship between the two.

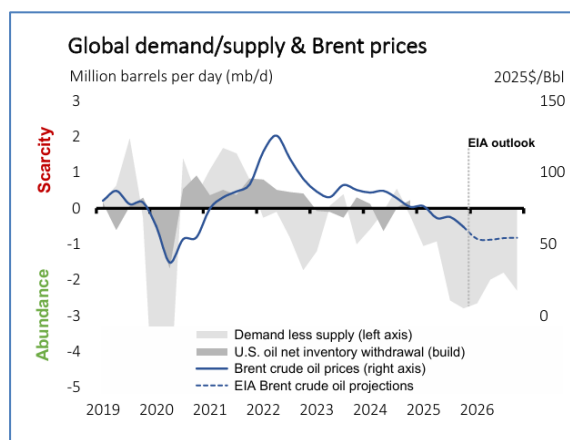
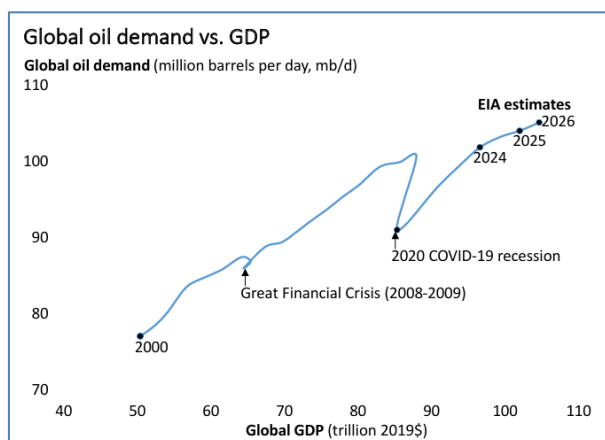
The historical relationship between U.S. dollar depreciation and upward oil price pressure has remained strong



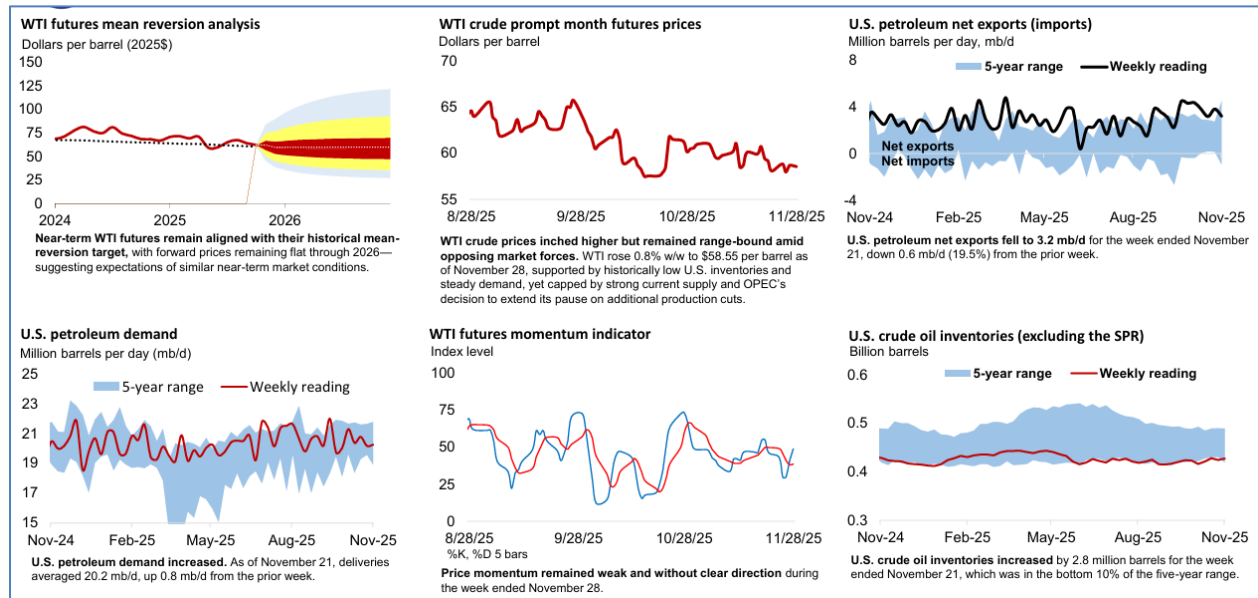
Oil Demand Grows Steadily, Even with Modest GDP Gains

Global economic growth is modest but persistent. IMF projects GDP growth of 2.7% in 2025 and 2.6% in 2026, lifted by trade and financial easing, though risks remain from debt, inflation, and policy divergence. A weak U.S. dollar continues to support crude oil prices despite mixed fundamentals.

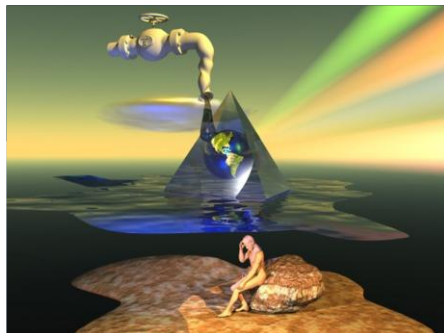
The U.S. Energy Information Administration (EIA) projects record world oil use: 103.2 mb/d in 2024, 104.0 mb/d in 2025. And 105.1 mb/d in 2026. Oil supply remains robust with non-OPEC growth steadying the outlook. Brent crude oil prices averaged \$69/bbl in 2025. EIA projects Brent crude oil prices will fall to \$55 in 2026.



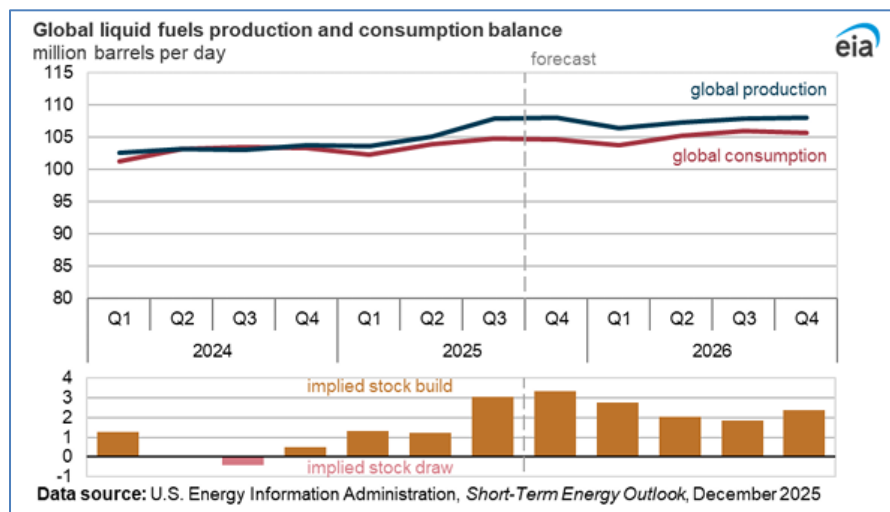
U.S. Oil Market Indicators: Balanced Market Expectations



Global Crude Oil Supply/Demand Dynamics



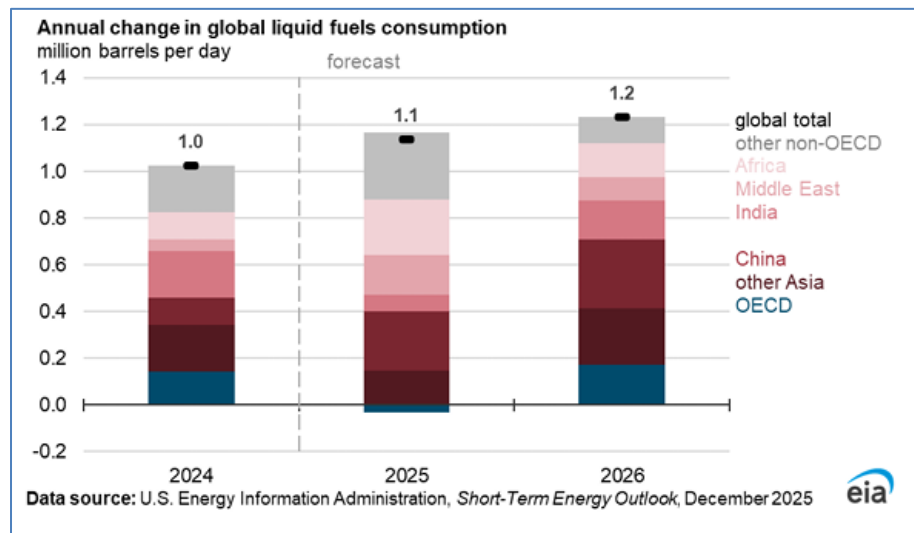
The Brent crude oil spot price averaged \$69 per barrel in 2025, which is \$11/bbl. lower than in 2024. Crude oil prices continue to fall as growing crude oil production outweighs the effect of increased drone attacks on Russia's oil infrastructure, and the latest sanctions on Russia's oil sector. EIA forecasts that growing global oil production and lower demand over the winter will accelerate the accumulation of oil inventories, resulting in further crude oil price declines in early 2026. EIA forecast that the Brent price will drop to an average of \$55/bbl. in the first quarter of 2026 (1Q26) and will stay near that price for the rest of the year.



Strong global oil production growth outpaced consumption in late 2025, driving the rise in global oil inventories in the second half of 2025. In 2026, we expect production and consumption to grow at similar rates, but production levels will continue to exceed consumption, further adding to inventories. EIA forecast that global oil inventory builds will exceed 2 million barrels per day (b/d) in 2026, which is similar to this year's increase. Persistent inventory builds could fill commercial storage options on land, which may prompt market participants to increasingly seek other, more expensive options for storing crude oil, such as floating storage. As a result, some of the crude oil price declines will likely reflect the higher marginal cost of storage.

Although oil prices are expected to fall in 2026, both OPEC+ policy and China's continued inventory builds will limit declines. Given the expectation of substantial global oil inventory builds, OPEC+ is forecasted to produce about 1.3 million b/d less than targeted production in 2026. On November 30, 2025 OPEC+ reaffirmed plans to keep production flat in the first quarter, but left open the potential for future adjustments. A large portion of oil inventory builds this year have been in strategic stockpiles in China, which has limited downward price pressures. China will likely continue building strategic stockpiles into 2026.

Global liquid fuels consumption increased by 1.1 million b/d in 2025 and is projected to increase by 1.2 million b/d in 2026. Global liquid fuels consumption growth is driven almost entirely by non-OECD countries.



Most non-OECD growth is concentrated in Asia. Total liquid fuels consumption in China increased by 250,000 b/d in 2025 and is projected to increase by an additional 300,000 b/d in 2026. China's 2026 oil consumption is projected to increase by 50,000 b/d. India increased its liquid fuels consumption by 70,000 b/d in 2025 and will increase it by 170,000 b/d in 2026.

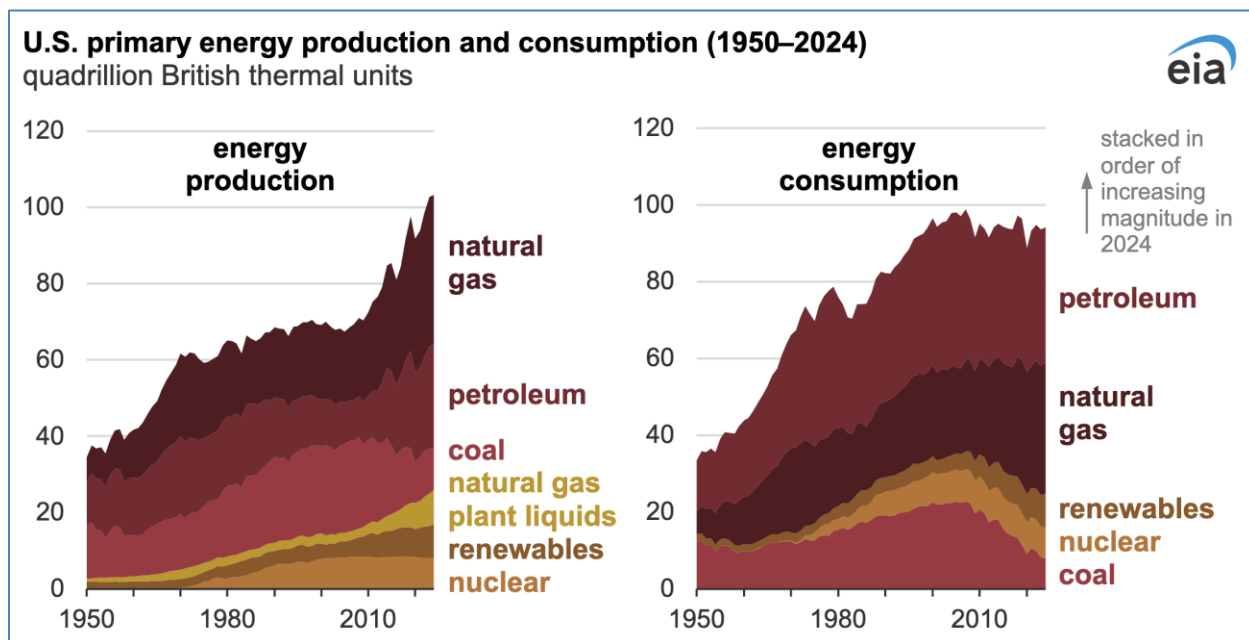
The Middle East is also a significant source of non-OECD demand growth, increasing by 170,000 b/d in 2025 and projected to increase by 100,000 b/d in 2026. Total liquid fuels consumption in Africa increased by 240,000 b/d in 2025 and is projected to increase by 150,000 b/d in 2026.

Global liquid fuels production increased by 3.0 million b/d in 2025 and is projected to increase by more than 1.2 million b/d in 2026. Along with OPEC+, the United States, Brazil, Guyana, and Canada drive production growth in the forecast. Together these four countries contribute more than 50% (1.5 million b/d) of total global growth in 2025 and about 60% (0.8 million b/d) in 2026. Production in South America has been the leading source of growth in 2025 as new offshore vessels have started up ahead of schedule in Brazil and Guyana.

Energy Transition Reality – The prevailing view that the energy transition is a linear trajectory from oil and other fossil fuels to renewables is misleading and potentially dangerous to a world that will continue to be thirsty for all energy sources. Amid the ongoing blizzard of propaganda about the “energy transition” and the tired antics of the climate complex, the 2025 Statistical Review of World Energy, published by the Energy Institute, provides a reality check to the narrative promoted by major media outlets, academics, and the climate complex.

The latest Statistical Review shows that despite the hype, subsidies, and mandates, wind and solar energy met 6% of total world energy demand in 2025. Fossil fuels met 87% of total world energy demand in 2025 with oil accounting for 34%, natural gas 25%, and coal meeting 28%. Global hydrocarbon use and CO₂ emissions hit record highs in 2025, with hydrocarbon consumption up 0.7%. That increase was driven by coal, up 1%, oil, up 0.7%, and natural gas up 2.5%.

Fossil fuels met 83.5% of total U.S. energy demand in 2025 with oil accounting for 35.5%, natural gas 37.8%, and coal meeting 10.2%. Nuclear energy met 7.9% of U.S. energy demand in 2025 and renewable energy met 7.7% of U.S. energy demand in 2025 (wind 1.5%, solar 1.1%, biomass 5.1%), hydroelectric 0.8%, and geothermal 0.1%.



Soaring electricity demand was the big story in 2025. Over the past 10 years, global electricity generation has grown on average at around 2.6% per annum, broadly twice the rate of total energy demand. Fossil fuels accounted for 59% of global electricity generation in 2025 with coal accounting for 34% followed by natural gas at 23%, and oil at 2%. Renewables accounted for 17% of global electricity generation, hydroelectric 14%, and nuclear 9%.

Long-Term Oil Forecasts – In 2025, global oil production rose 0.6% with non-OPEC countries driving growth. The U.S. led this expansion, with output reaching a record level, breaching the 20 Mbpd level again., driven by enhanced extraction technologies and operational efficiencies. This surge brought U.S. production close to the combined output of Saudi Arabia and Russia. South America producers, particularly Guyana and Argentina, also registered notable increases.

Demand patterns reflected global economic headwinds. China's economic slowdown significantly impacted Asia Pacific demand. However, India and Southeast Asia provided offsetting growth.

To place expected future energy demand in context, OPEC's 2025 World Energy Outlook sees global energy demand expanding by 23% from 2025 to 2050, driven by expanding economic growth, rising populations, new energy-intensive industries like artificial intelligence, and the need to bring energy to the billions without it.

Supported by recent policy shifts and an improved economic outlook, global oil demand is set for continued robust growth of 9.6 million barrel per day (mb/d) over the medium-term period, rising from 103.7 mb/d in 2024 to 113.3 mb/d by 2030. The primary reason for this is strong oil demand growth in non-OECD countries, which is projected to increase by 8.6 mb/d to 2030 and reach 66.7 mb/d. Moreover, OECD oil demand is also set to increase over the same period, albeit by a much smaller 1 mb/d to reach 46.6 mb/d.

In the long term, global oil demand is projected to rise by more than 19 mb/d between 2024 and 2050, reaching almost 123 mb/d. While non-OECD oil demand is projected to increase by almost 28 mb/d over the period, OECD oil demand is set to witness a decline of 8.5 mb/d.

India, Other Asia, the Middle East and Africa are set to be the primary sources of long-term oil demand growth. Combined demand in these four regions is set to increase by 22.4 mb/d between 2024 and 2050, with India alone adding 8.2 mb/d. China's oil demand is projected to increase by less than 2 mb/d over the same time horizon. Moreover, a large part of China's increase is expected to occur over the medium term, with fewer demand changes expected for the rest of the forecast period.

Oil consumption in various transportation modes constitutes the backbone of global oil demand. Indeed, the transportation sector accounted for more than 57% of global oil demand in 2025 and, with minor variations, is projected to retain this share. Within this sector, the largest incremental oil demand is expected in road transportation and aviation, adding 5.3 mb/d and 4.2 mb/d, respectively. A significant demand increase of 4.7 mb/d is also projected in the petrochemical sector.

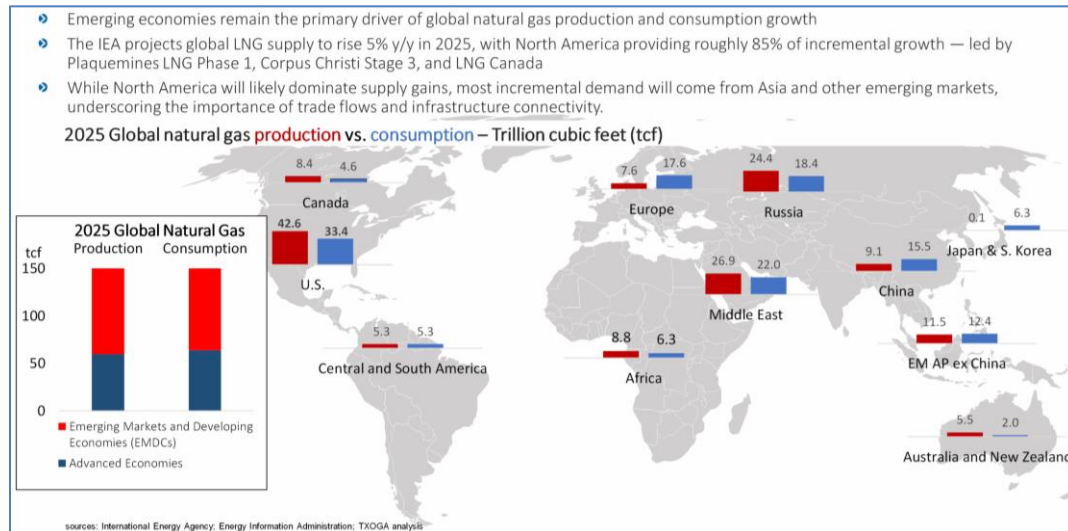
Oil demand growth in road transportation is expected to come on the back of a large expansion in the global vehicle fleet, particularly in developing countries. The global vehicle fleet is expected to increase from 1.7 billion in 2024 to 2.9 billion in 2050. Internal combustion engine (ICE) vehicles are set to continue dominating the global fleet and still account for around 72% in 2050.

Natural Gas – Natural gas is one of the preferred sources of energy in this country not only for electricity and factories but also as a heating source for people's homes. Over 50% of U.S. homes are heated by natural gas and those that use electric heat pay for natural gas price increases through the backdoor as 38% of U.S. natural gas consumption goes into providing electricity.

In 2025, global natural gas production increased by 1.2% to 4,124 bcm. The four largest producers were the U.S., Russia, Iran, and China who, together, accounted for 53% of total global production. European production continued its structural decline, falling by 3.4% from 2023, primarily due to decreases in Norway, the UK, and the Netherlands.

Global natural gas demand continued growing in 2025 rising by 2.5% reaching a record 150.7 tcf and is projected to rise another 2% in 2026. Half of the demand growth was driven by the Asia Pacific region, led by China, Japan, and India. The U.S. alone accounted for 25% of global natural gas production and 22% of its consumption. Meanwhile, Europe experienced a modest rebound, with demand increasing by 6 bcm to reach 469 bcm, marking its first rise since 2021.

Global LNG trade remained steady, with the U.S. maintaining its position as the largest exporter, reaching 115 bcm. U.S. LNG exports to Europe fell by 16 bcm from 2023, with most redirected to the Asia Pacific region. Global pipeline trade rose by 43 bcm, driven by Russia's increased exports, up 6 bcm to Europe, 8 bcm to neighboring CIS countries, and 5 bcm to China.



Crude Oil Market Structure

The crude oil market is a global oligopolistic market mostly influenced by the OPEC+ cartel. The OPEC+ cartel is made up of 20+ oil producing nations. The OPEC+ cartel controls about 45% of the world's oil supplies and collude to control global crude oil prices. The U.S. is the largest oil producing nation in the world. Illinois oil and gas producers are perfect competitors in an oligopolistic market. That is to say, we are price takers, not price makers.

Illinois oil and gas producers have no control of crude oil prices but can only manage their internal costs. For Illinois oil and gas producers, optimizing internal operating efficiencies is paramount in order to hedge against volatile crude oil price swings.

Low-cost oil producers across the U.S. establish a fair price for oil based on how low they can get production costs. Illinois oil and gas production will likely remain a conventional, small business operation that will be tweaked with technology. The bottom-line is the low-cost producer will stay in business.

U.S. Independent Oil & Gas Industry – The upstream oil and natural gas industry in the U.S. supports 3.6 million U.S. jobs and adds nearly \$563 billion (about 2% of U.S. GDP) to the U.S. economy. In 2024, the upstream oil and natural gas industry paid \$149 billion in federal and state taxes. The entire U.S. oil and natural gas industry (both upstream and downstream sectors) supports 10.8 million jobs and contributes 7.6% of total U.S. GDP.

In 2024, independents - companies who are not fully integrated across the supply chain - produced 80% of U.S. oil and 90% of U.S. natural gas. Independent operators produce 85% of U.S. oil, 90% of U.S. natural gas, operate 95% of U.S. wells, drill 90% of new wells, and account for 90% of capital and operating expenditures.

Illinois Oil & Gas Summary

The oil producing area of Illinois is part of a geological structure or province known as the Illinois Basin. The Illinois Basin covers southern Illinois, southwest Indiana, and western Kentucky. Oil production is found in 42 of the 102 counties in Illinois. Most of the production is in the southern part of Illinois. In Illinois, there are approximately 23,402 oil and gas production wells, 6,535 Class II injection wells, and 1,078 gas storage wells.



After many decades of productive stewardship, oil and natural gas resources continue to play an important part in the livelihoods of Illinoisans. The Illinois oil and gas industry has a \$3.04 billion annual economic impact. In 2025, the Illinois oil and gas industry generated nearly \$500 million in output, put tens of thousands of people across Illinois to work, and pumped hundreds of millions of dollars into the state's economy. The industry supports 16,000 direct jobs, \$750 million in family income, and \$420 million in state/local tax revenue. The oil and gas industry is an important element of the Illinois economy today and will be a critical part of the economy going forward.

Economic Forecast – The Illinois economy is expected to experience modest growth in 2026. Inflation is expected to continue its steady return to normal levels. Nominal U.S. Gross Domestic product (GDP) increased by 4.8% in 2025. Nominal U.S. GDP in CY 2026 and CY 2027 is forecast to be 4.7% and 4.3% respectively. The Consumer Price Index (CPI) increased 3% in CY 2025. CPI in CY 2026 and CY 2027 are forecasted to be 2.4% and 2.2% respectively. These forecasts retain concern for the overall economy due to the impacts of sustained elevated interest rates and lingering high inflation, as well as more typical concerns related to multiple geopolitical conflicts, costs of health care, volatility in energy prices, tariffs or possible trade war effects on commodity prices. And consumer demand for products and services subject to sales taxation.

Economic Impact on the Illinois Oil & Gas Industry - Illinois producers worked in 2025 to optimize supply chain relationships, improve operational efficiencies, and refocus capex on the most resilient short-cycle projects.

The Illinois oil and gas industry produced over 6.8 million barrels of oil in 2025. The Illinois Department of Natural Resources (IDNR) reports an average of 435 drilling permits are issued each year. While the average oil well in Illinois produces less than 2 BOPD the industry supports more than 16,000 direct jobs, \$750 million in family income, and pay \$420 million and state and local taxes.

Oil production in Illinois during calendar year (CY) 2022 was about 7.23 million barrels (19,808 bbls/day). In CY 2023 Illinois oil production was about 7.18 million barrels (19,671 bbls/day). In CY 2024 Illinois oil production was about 7.3 million barrels (20,000 bbls/day). In calendar year 2025 Illinois oil production was about 6.8 million barrels (18,678 bbls/day).

Indiana also makes important contributions to the production of oil in the Illinois Basin. Oil production in Indiana during calendar year (CY) 2025 was about 1.6 million barrels. Combined Illinois and Indiana oil production in CY 2025 was about 8.5 million barrels (23,287 bbls/day).

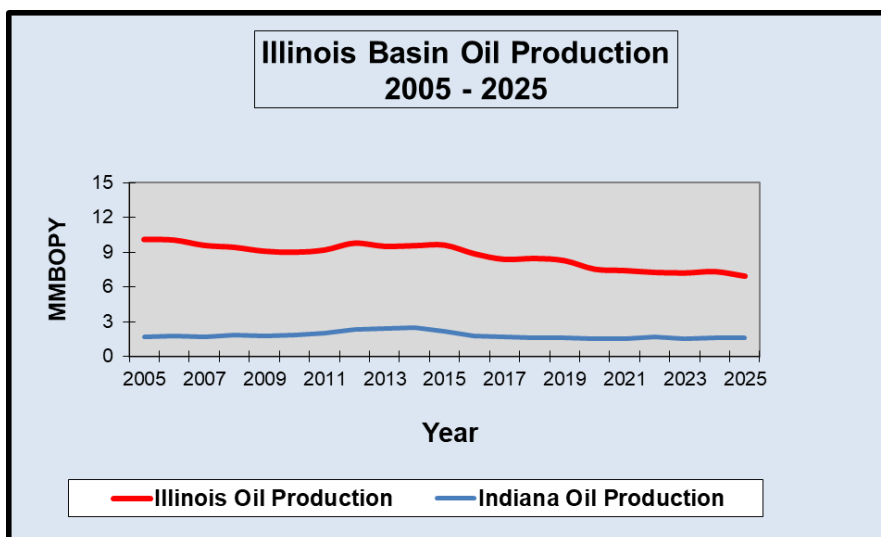


Figure 1

Figure 1 illustrates the trend in Illinois/Indiana oil production over the last 20 years.

What are Illinois oil & gas companies doing?

The Illinois oil and gas industry displayed a lot of discipline in 2025 after learning some tough lessons from experiences with market volatilities/disruptions in the past - from the mid-1980s and late 1990s to the more recent 2014-2016 and 2020-2021 downturns.

Many Illinois companies are refocusing capex. Companies are working to optimize operating cost structures to achieve more efficiency gains and become more specialized regarding their core producing assets. Illinois producers are focusing on the most resilient short-cycle projects and concentrating on their core competencies and smaller producer advantages.

Many oil and gas producers across Illinois are working to optimize supply chain relationships, improve operational efficiencies, reduce and refocus capex, and examine acquisition and divestiture opportunities. Operators are high-grading and drilling only the best prospects. In many cases, improved productivity is less about improved technology and more about better application of existing technology.

Expenditures for exploration and development constitute most of a company's upstream capital investment. When calculated on a reserve addition per barrel basis, these expenditures represent the cost of finding and developing a barrel of oil.

Efficiency gains achieved by Illinois oil and gas producers over the years have proven to be very important for reducing break-even prices. Illinois operators in general adhere to cash flow neutrality.

The Illinois oil and gas industry has learned many things through the years. We know that patience, persistence, insight, and innovation payoff. We move forward together in 2026 to focus on value reconstruction and prepare for brighter days ahead.

Key Challenges & Opportunities

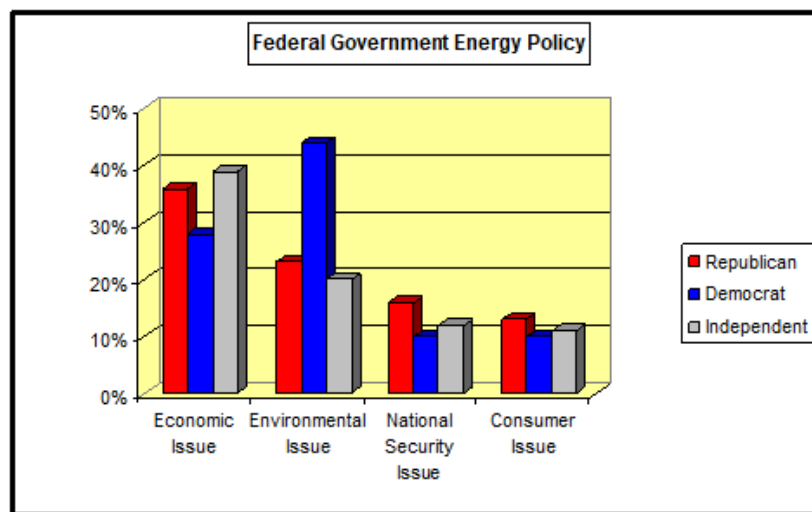
The oil and gas industry continues to address many challenges including energy policy, tax policy, electric rates, emissions, carbon tax, prices, and more.

Energy Policy – One area where Republicans and Democrats can work to find a compromise is in the area of energy policy. During times of economic challenges, the public's priorities revolve around improving the economy. This extends to energy legislation. According to several recent public opinion reports, the public supports an all-of-the-above energy strategy. The U.S. public wants Congress to provide energy legislation that will help bolster the economy, protect the environment, and require very minimal personal sacrifice by the consumer.



The public primarily sees energy policy as an economic issue or environmental issue. Republicans primarily view energy policy as an economic issue. Democrats are far more likely to view energy policy as an environmental issue. Not surprisingly, those who are more environmentally conscious also view energy policy as an environmental issue. Also, individuals with an annual household income of over \$100,000, women, and college graduates are more likely to associate energy policy as an environmental issue.

The energy policy challenge for the 119th Congress will be to mediate these two opposing viewpoints to create policy that is beneficial to the economy and the environment.



The federal government has a variety of issues to address, and for some energy policy is not a top priority in comparison to inflation, healthcare, reducing the deficit, improving education, and ensuring national security. However, for many, energy policy is a top priority issue that needs to be addressed.

The public is divided as to whether U.S. energy policy is an economic or environmental issue. Essentially, the public wants a strong economy while improving environmental standards. We can expect Congress to try to achieve this outcome.

Public opinion on a couple of key issues affecting the small independent oil and gas producer is intriguing. There is moderate support for eliminating the tax provisions critical for the small independent oil and natural gas producer (percentage depletion, intangible drilling costs, etc.). Republicans have traditionally been the base of support for fossil fuel industries such as oil, natural gas, and coal, while Democrats are more likely to support eliminating these tax provisions. There appears to be a strong element of opposition in the Republican Party to eliminating these tax provisions.

Less than half of the general public supports a tax on carbon emissions. While Democrats are largely supportive of taxing carbon emissions, Republicans are likely to oppose such initiatives. The public appears to oppose penalizing industries.

Many folks across the nation are not financially secure enough to deal with rising energy costs and unwilling to make significant changes to their lifestyle. Republicans and Democrats will need to work together to improve energy policy. This will be difficult due to the competing interests of industries and environmental organizations. Environmental organizations want policy that utilizes the highest environmental standards and industry wants policy that has minimal impact to the economy. If energy legislation does not serve the best interest of the public, it offers no incentive for the public to make significant changes in their lifestyle.

Is energy policy that creates a compromise of all interested parties and public expectations better than no energy policy at all? That is a question the 119th Congress may have to answer. One thing is certain. The public places high priority on energy policy.

Just a few years ago, no one would have imagined the U.S. could increase production of oil and natural gas while cutting greenhouse gas emissions, which are now near 25-year lows. The oil and gas industry has proven that over the long-term, it is possible lead in energy production and environmental stewardship.

By focusing on more efficient use of energy, it is possible to lower emissions without imposing a carbon tax or even more environmental restrictions. Energy policy that values innovation over regulation can turn energy policy challenges into great opportunities for economic growth and energy security. This approach is not just good business, it's good stewardship and a much better strategy for improving the quality of life for all.

Energy prices affect all corners of the economy, and keeping up with demand is essential for maintaining a high standard of living. Thankfully, that doesn't require abandoning efforts to protect the environment, because newer technology is cleaner technology. The key is to avoid placing unnecessary political or legal obstacles in the way of innovation and expansion.

Tax Policy – Contrary to what some in politics and the media have said, the oil and natural gas industry currently enjoys no unique tax credits or deductions. Since its inception, the U.S. tax code has allowed corporate tax payers the ability to recover costs and to be taxed only on net income. These cost recovery mechanisms or tax provisions, also known in policy circles as “tax expenditures”, should in no way be confused with “subsidy”, i.e., direct government spending.



Cost recovery measures, like the percentage depletion deduction and the intangible drilling costs (IDCs) deduction, are neither subsidies nor loopholes but tax provisions critical for American oil and natural gas producers to sustain capital availability and formation. By improving cash flow, these cost recovery measures allows the small businesses that make up the America oil and gas industry to invest more money into creating jobs and producing the energy that our economy needs.

Many policymakers need more facts to clear up misunderstandings about “subsidies” and “tax provisions”. Percentage depletion and IDCs are cost recovery mechanisms similar to those used by other industries. These tax provisions are critical for the small businesses that make up the independent oil and gas producers to sustain capital availability and formation.

Market-created jobs, rather than those directly created and supported by the government, is a key benefit of increased activity by the small businesses that make up the American independent oil and natural gas industry. These jobs are stable, high-paying, and often in rural areas of the country that are struggling for opportunity. These tax provisions are neither “loopholes” nor “subsidies” but rather methods very similar to real estate depreciation in accounting for capital expenditures.

Increasing taxes and regulations results in fewer jobs because businesses spend their resources on tax burdens and regulatory compliance instead of job creation. When tax expenditures and regulatory costs increase more than the real economy, the results are destructive to economic growth. The wrong governmental policy framework generates the wrong policy.

When we lower the tax burden, we reduce the cost of doing business and encourage economic investment and growth. Illinois cannot stand still on its tax policy. Other states continue to make changes to the state tax codes to be more competitive nationally and globally. Significantly lower state and local taxes in other states lead to some moving to other states. Commercial and industrial properties often attract jobs and investment from out of state. If Illinois overtaxes those properties relative to other states, capital and jobs are more likely to flow elsewhere. Now is the time to reduce personal and corporate income taxes to position our state to be regionally competitive and to allow small businesses to use more of their revenue for employees and capital investments.

Electric Rates - We need to find solutions to high electric rates - which hurt not just the oil industry, but general economic development as well.

With electric costs that are 30-50% of expenses, oil wells in Illinois could run for many years longer with more competitive electricity prices. Who will be left to absorb the high fixed costs that burden rates?

IOGA encourages policymakers to consider the following recommendations for Illinois electric Cooperatives.

1. Develop a Marginal Electric Load Rider or other economic development riders.
2. Develop and implement more electric load control riders.
3. Define oil/gas well electric load its own category or an industrial customer.
4. All types of rate increases should be reviewed, including fees.
5. Consolidate territories.

IOGA also encourages the lawmakers to consider some general recommendations including:

1. No central planning committee that picks winners and losers.
2. Establish fair taxation and establishment of the clean-up fund for wind and solar assets.
3. Limit electric rate increases (including fees & adjustments) for consumer/cooperative customers.
4. Report on Illinois competitiveness regularly.

Levelized Cost of Energy (LCOE) - The Levelized Cost of Energy (LCOE) metric has been one of the most damaging terms for understanding energy costs. LCOE excludes reliability-related considerations. This is the fallacy of conflating something that's unreliable or non-dispatchable with something that's reliable and dispatchable. And that has led to all sorts of confusions about people thinking wind and solar are cheaper. They are not factoring the system costs needed for reliability. That is a huge fallacy with LCOE.



Solar and wind clearly can't outcompete fossil fuels for transport and heat. And solar and wind can't even outcompete fossil fuels for most electricity due to reliability requirements. Yet the irrelevant price of unreliable solar and wind is used to claim cheapness!

Reliability is the ability to provide energy when needed, in the amount needed. While some energy uses have relatively low reliability requirements - e.g., a pool heater doesn't need to work at an exact time - most have high reliability requirements. Including most electricity use.

While someone living a very modest off-grid lifestyle might not have rigorous reliability requirements for electricity, a modern electric grid absolutely does. To operate safely the grid must precisely, reliably control the supply of electricity to meet ever-changing demand.

Because reliability is paramount to electricity, when comparing electricity prices - e.g., fossil fuels vs. solar and wind - we must only compare prices for reliable electricity. Yet it's common to compare the price of reliable fossil fuel electricity to unreliable solar and wind electricity.

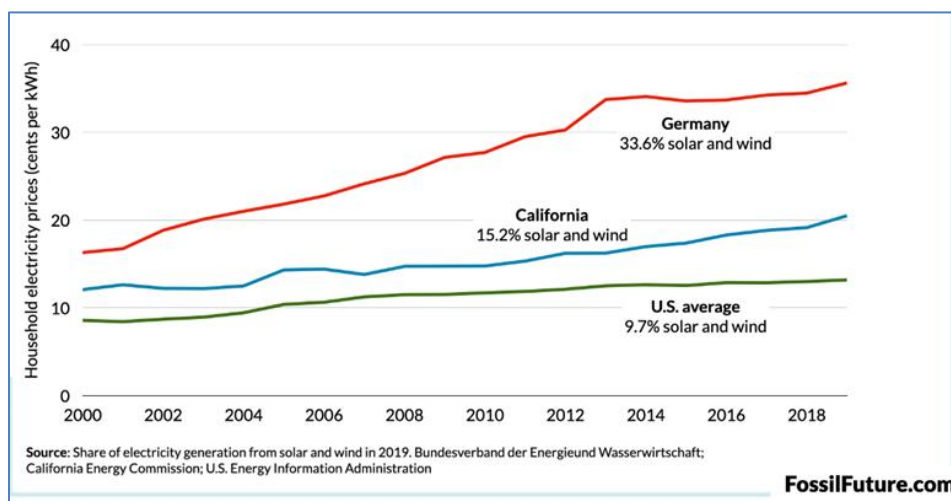
Many instances of "solar and wind are cheaper than fossil fuels" not only ignore the non-electricity uses where solar and wind are totally uncompetitive, they use a bogus metric called "Levelized Cost of Energy" (LCOE) which by its own definition ignores the issue of reliability!

The constantly-used "Levelized Cost of Energy" (LCOE) analysis explicitly says "This analysis does not take into account... reliability-related considerations." Such an analysis is worthless. But it is used widely to misrepresent solar and wind as cheap.

The basic cost problem with solar and wind is their inherent unreliability. To use them to deliver reliable electricity we need to also pay for a reliable life-support grid (e.g., gas plants). This is very often wasteful; it's usually cheaper just to pay for a reliable grid.

When looking at large regions that use solar and wind a lot, we see a trend of price increases and/or reliability decreases, because solar and wind add costs to the reliable grids needed to support them - and if you try to save money by shrinking the reliable grid you get reliability problems.

Contrary to claims of lower costs, the places that use the most solar and wind on their grid tend to have the highest electricity costs



Instead of honestly looking at the full cost of solar and wind compared to fossil fuels for providing reliable electricity - which looks very bad for solar and wind most of the time - opponents of fossil fuels claim “solar and wind are cheaper” by comparing the cost of unreliable solar and wind with reliable fossil fuel electricity.

The energy community is starting to recognize the fallacy of conflating the price of reliable fossil fuels with the price of unreliable solar and wind.

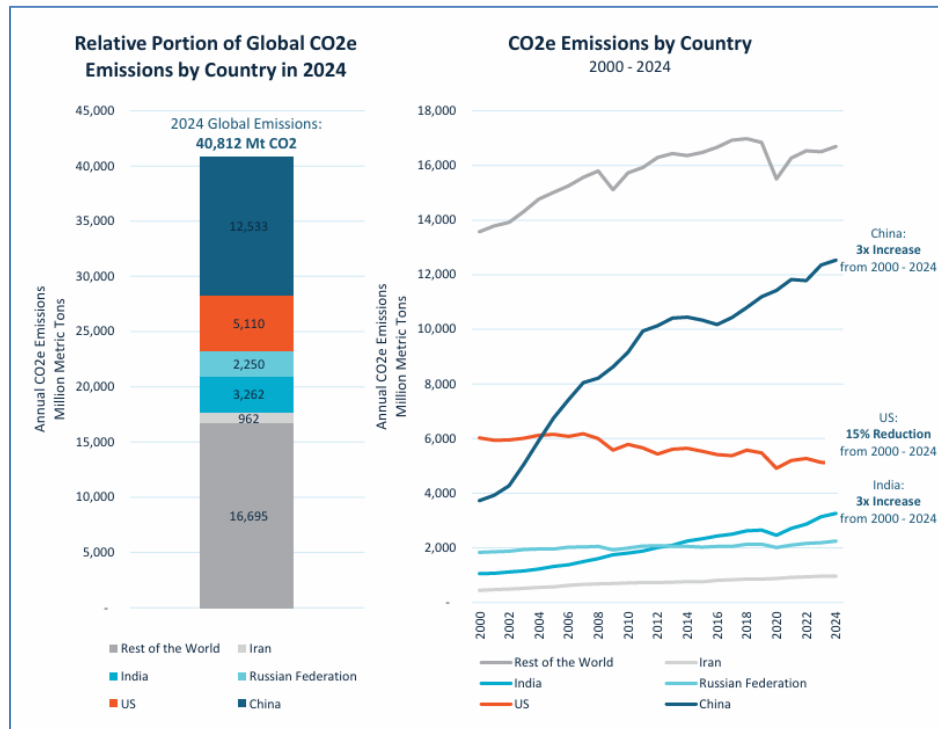
While it's good that some energy leaders are questioning price comparisons between fossil fuels and unreliable solar and wind, they are still not recognizing the huge full costs of solar and wind given that they can go near-zero at any given time and thus require near-100% life support.

In the rare situations where electricity reliability requirements are low, solar and wind can be cheaper than fossil fuels.

But it's deeply dishonest to falsely generalize "solar and wind are cheaper than fossil fuels" given that for most reliability requirements solar and wind are far more expensive.

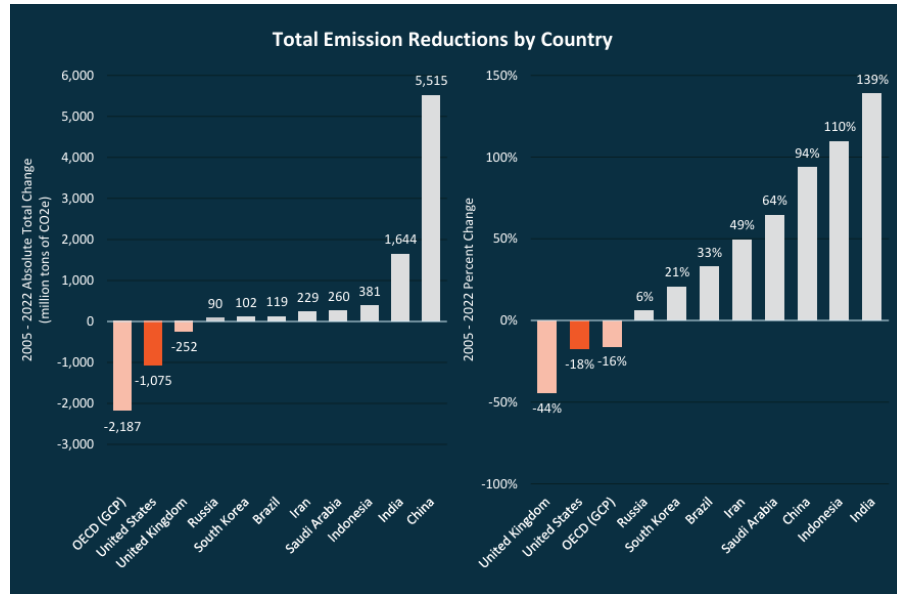
Emissions – In 2025, global carbon emissions increased 1%. The U.S. again led the world in emissions reductions, but those reductions are being swamped by the massive increases in India and China.

The U.S. was responsible for 13% of the global CO₂e emissions in 2025. The U.S. also reduced overall emissions by 15% between 2000 and 2025. China was responsible for 31% of global CO₂e emissions in 2025. China more than tripled CO₂e emissions between 2000 and 2025.



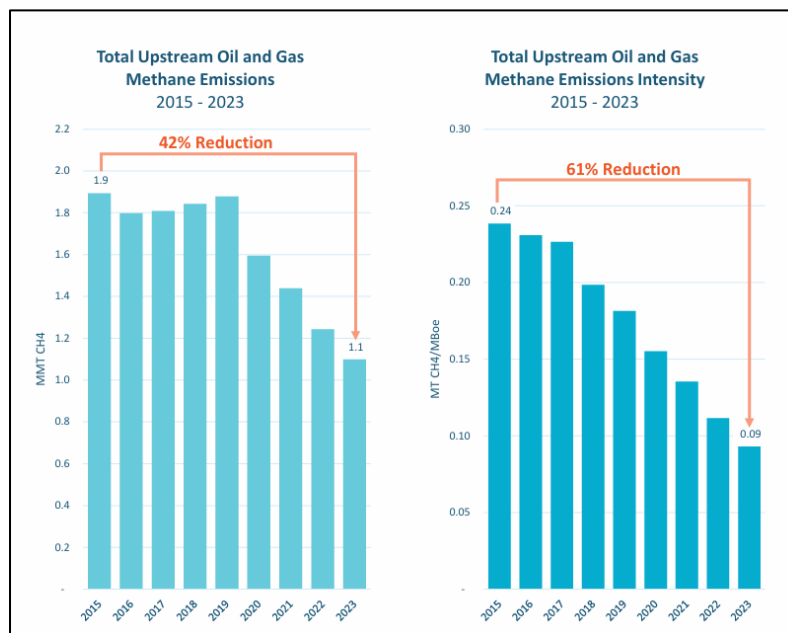
Source: Energy Information Administration

Between 2005 and 2022, U.S. carbon emissions decreased by 18%. U.S. emission reductions of 1,075 million tons of CO₂e since 2005 represents half the emission reductions of all developed countries.



Source: <https://ourworldindata.org/co2-emissions>

Additionally, according to EPA, American oil and natural gas producers have reduced methane emissions by 42% from 2015-2023 while increasing oil and natural gas production by almost 50% over that same time frame.

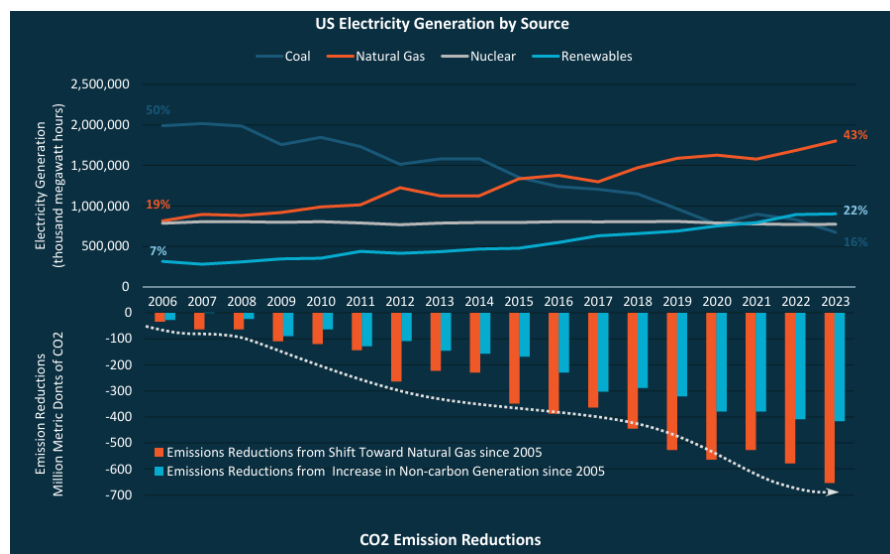


Source: Clean Air Task Force/Ceres Report on Benchmarking Oil & Gas Emissions

The fact is our nation's 21st century oil and gas market-driven success has helped our nation achieve significant emission reductions. When a country becomes the leading producer of oil and natural gas and has reduced carbon dioxide emissions by 70% in 10 years and reduced methane emissions from oil and natural gas operations by 37% since 2015, it is clearly doing many things right.

Energy Information Administration (EIA) data (2019) show natural gas is responsible for 2.8 billion metric tons of carbon dioxide emission reductions since 2005. That represents 61% of overall power sector reductions during that time-frame and 57% more than reductions attributable to renewables.

Natural gas is responsible for 60% of all U.S. emissions reductions in electricity generation since 2005. Natural gas now fuels about 43% of U.S. electricity.



Source: Energy Information Administration

The men and women of the oil and gas industry reject the stale mindset of last century's thinking peddled by some that oil/gas production and environmental stewardship are not compatible. **America leads the world in environmental quality.**

The truth about climate and energy policy is that people don't want high energy costs, and their governments must respond – in China, in Europe, or in America the ramifications of high energy costs are politically dangerous whether they go to the ballot box or have revolutions.

Despite the perspective global warming advocates encourage, the environmental consequences of GHG emissions are based on unsettled science. That makes global climate agreements tough. But since China, like India, has not agreed to global climate emissions cuts, global climate agreements are difficult to achieve.

The Biden Administration EPA has tried to contort little used regulatory theories to regulate GHG and methane emissions. Harmful, top-down policies that affect the price and availability of energy for every American consumer should not be carried out by unelected EPA officials.

Global climate control is very difficult to achieve. Even if global climate initiatives were put into effect tomorrow, they would barely affect global warming. That is because carbon dioxide (CO₂) makes up less than 4% of GHG. Water vapor accounts for about 95%.

Anthropogenic (man-made) Contributions to Greenhouse Gases
Expressed as a % of Total (water vapor included)

Based on concentrations (ppb) adjusted for heat retention characteristics		% of Greenhouse Effect	% Natural	% Man-made
Water Vapor		95.000%	94.999%	0.001%
Carbon Dioxide (CO₂)		3.618%	3.502%	0.117%
Methane (CH₄)		0.360%	0.294%	0.066%
Nitrous Oxide (N₂O)		0.950%	0.903%	0.047%
Misc. gases		0.072%	0.025%	0.047%
Total		100.00%	99.72%	0.28%

Why have climate alarmists suddenly gone quiet? What's changed is the politics. Climate warriors persuaded the public to take climate change seriously, but not to pay for it, especially after the cost of living shot up in the wake of the pandemic and Russia's invasion of Ukraine. A 2025 YouGov national survey found the share of respondents calling climate and environment their most important issue has dropped from 14% in 2020 to 6% in 2025. By contrast, 25% describe inflation that way now. In short, the climate crisis clashed with the affordability crisis, and affordability won.

America leads the world in environmental quality, and we have made unprecedented progress while our population, economy, and energy consumption has grown. Emissions of the six "criteria pollutants" monitored by the EPA are down 77% since 1970. Over the same period USGDP increased by 285%, vehicle miles traveled increased by 195%, population increased by 60%, and energy use increased by 48%. Meanwhile, emissions from the rest of the world have risen by 24%, led by China and India.

Global warming is a big challenge for sure. But the oil and gas industry can help solve it. The 'Net Zero' campaign stops climate change only by increasing widespread global poverty. Inexpensive energy is necessary for economic advancement by the world's poor and for economic recovery. Ideological opposition to fossil fuels is an anti-human stance that views ordinary people not as problem-solving sources of ingenuity, but only as mouths to feed producing environmental damage.

The U.S. has a unique opportunity to show the world how energy abundance can be used as a positive force to lift people up, which is different than a zero-emissions world. We should work to ensure more people have access to safe, affordable, and reliable energy. Because to rise out of poverty and enjoy health and safety, people need more energy, not less.

The hard reality is that climate change policy doesn't have much traction in international affairs and its importance is declining amid concerns about inflation, monetary policy, volatility in energy markets, trade, and immigration.

Carbon Tax - Taxing carbon to tackle climate change may sound like a good idea. However, a 2023 nationwide survey indicated Americans don't place high priority on climate change. When asked how much they are willing to pay to address climate change, the median response was consistently between \$25 and \$50 a year. Public support for climate action appears to be broad, but it is shallow. Addressing climate change enjoys widespread approval, until climate action comes with a tangible price tag.

All too often proposals to tax carbon have much more to do with raising revenue than helping our environment. However, taxing carbon only takes more resources from the private sector to support swelling state and federal government.

A recent study analyzed probable effects of a U.S. carbon tax that starts at \$20 per ton and then rises 4% per year, which is in line with recent proposals. The study suggests that such a tax would decrease household consumption, due to the increased cost of goods. The average household would have to pay 40% more for natural gas, 13% more for electricity, and more than 20 cents per gallon extra for gasoline. Costs would rise even more in subsequent years.

Price hikes like these can only mean lower standards of living and less opportunity. Families that spend a bigger portion of their household income on transportation, utilities and household goods are hurt, not helped, by carbon tax schemes that make traditional forms of energy more expensive.

Recently, some major integrated companies have supported a carbon tax. Clearly, this is just a ploy to stifle competition. Major integrated companies can pass along tax increases to consumers while small companies that are not integrated from production through end-product do not have the ability to pass along tax increases.

U.S. Doesn't Need a Carbon Tax - Even if the U.S. imposed some kind of carbon tax, it would not make a difference to global climate. While U.S. greenhouse gas emissions have been falling in recent years, world carbon emissions keep increasing driven primarily by China's and India's increasing demand for energy. Together, these two countries now account for one-third of world carbon emissions. China and India are not going to impose a carbon tax on themselves. Doing so would increase their energy costs and reduce their economic growth. Neither will Russia, nor countries in the Middle East, nor developing nations whose primary concern is improving the economic well-being of their citizens.

What can be done to preserve America's affordable, reliable energy?

Inflation continues to stoke the public's concerns about the eroding value of their dollars. The Biden administration was committed to "ending fossil fuels" and forcibly shift U.S. energy production from oil and gas to "renewable" solar and wind. What the Biden administration missed is the fact that stopping production of energy actually makes it more expensive. President Trump has the opportunity to move energy policy in a better direction.

As the U.S. continues to grapple with high inflation, market volatility, and economic pessimism, American families continue to see costs of important goods and services rise. Energy has been no exceptions.

This means a family budget that needs to account for keeping the lights on, the family fed, keeping the family healthy, and providing for their children's future has only seen price relief from lowered energy costs while critical needs in other areas have risen dramatically. We understand the need to provide reliable, affordable energy to residential, industrial, and commercial consumers to ensure economic stability. We have also heard the concerns of Americans related to ensuring we protect the environment and mitigate environmental impact as we produce energy in the United States.

Environmental policies needed going forward include:

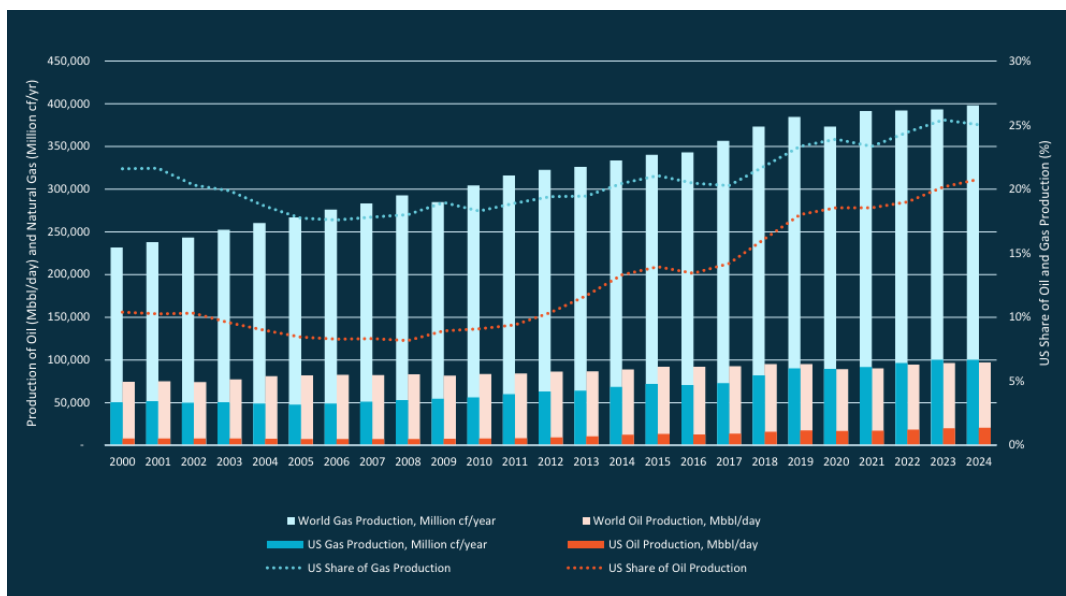
- Assuring adequate access to capital by having sound tax and banking practices rather than using tax and financial policies to cripple American oil and natural gas production.
- Assuring a predictable and cost-effective regulatory system that recognizes the diversity of oil and gas production, including large versus small wells and large versus small businesses.
- Recognize in energy and economic policy that oil and natural gas will be essential energy sources for the foreseeable future, that American oil and natural gas production is more environmentally sound than most foreign sources, that reliance of foreign sources of energy will undermine the American economy and any agenda to improve its environment, and that on a global scale there are many countries where oil and natural gas provide a better option than their current sources and a more realistic one than overreliance on perceived clean energy sources.
- Technology within industry often moves faster than the regulatory systems within government. Providing regulatory agencies with tools for better deployment of more accurate and cost-effective technologies are important policy changes to consider.

Fossil Fuels Will Continue to Dominate for Decades to Come

While the ambitious pledges from various international bodies and governments would suggest the energy transition is near, the gap between theory and reality is vast. Fossil fuels supplied 82% of global energy needs in 2024. It will likely be decades before an energy transition can take place. The energy transition may have begun, but there is a very long way to go before fossil fuel dominance is truly challenged.

Oil and natural gas make up the majority of the U.S. energy mix. Energy from fossil fuels have made up 80%-85% of the U.S. energy mix over the last several decades. Oil and natural gas made up 74% of the U.S. energy mix in 2025. Use of natural gas in the U.S. has increased by 69% at the same time as reliance on coal decreased by 49%. Energy provided by renewable energy has more than doubled to account for 9% of national energy consumption but has not kept pace with the increase in demand.

Global energy consumption more than doubled from 1980-2025. Energy from fossil fuels made up 87% of the world's energy in 2025. Energy from coal contributed 28% of the world's energy in 2025. Every single source of primary energy has increased globally in 2025. Energy from wind/solar contributed 6% of the world's energy in 2025. The U.S. has increased its share of global crude oil production from 8% in 2005 to 21% in 2025. The U.S. share of natural gas production has increased from 18% in 2005 to 25% in 2025.

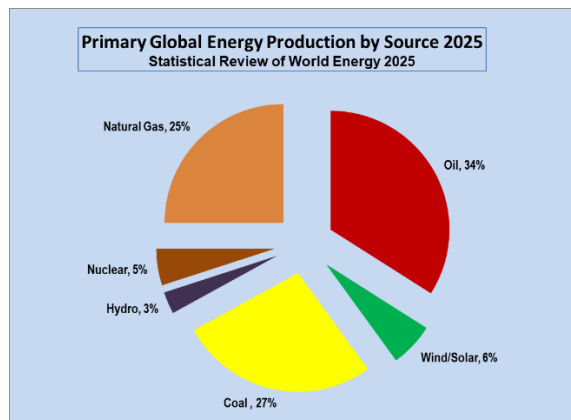
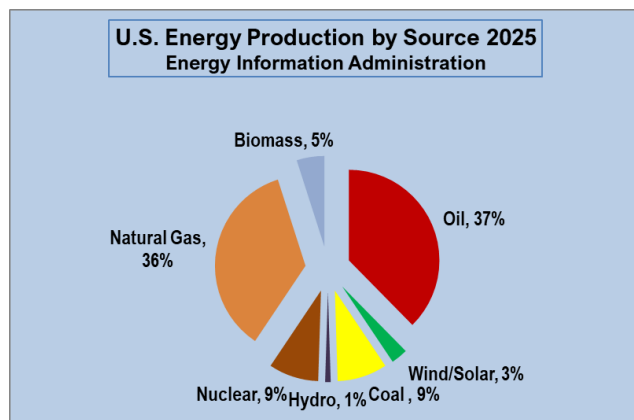


Source: Statistical Review of World Energy

Primary energy consumption continues to grow worldwide. Despite efforts to decarbonize the economy, fossil fuels still accounted for over 87% of the global energy mix in 2025. Oil was responsible for 34% of the energy consumed around the world, followed by coal (28%) and then natural gas (25%). The remainder of global energy consumption came from hydropower (3%), renewables (6%), and nuclear power (5%).

Renewable energy sources, led by wind and solar, are expected to grow briskly in the coming decades and could approach 11% of the global energy mix by 2045. Renewable energy remains too unreliable and expensive to be a primary energy source.

The U.S. Energy Information Administration (EIA) reports that oil and natural gas supplied 74% of U.S. energy in 2025. By 2045, the EIA estimates that oil and natural gas will supply roughly 50% of U.S. energy needs. Globally, the EIA projects that by 2050, world energy demand will increase by 24%, and 50% of that demand will be supplied by oil and natural gas.



What will power the U.S. in the future? - The EIA estimates that 30 years from now fossil fuels will account for 69% of our country's energy consumption.

The 2025 World Energy Outlook projects that by 2050, world energy demand will increase by 23% and 50% of that demand will be supplied by oil and natural gas. Oil and natural gas are expected to remain the primary energy sources through 2050.

The end of oil and gas has been predicted on a regular basis since 1885, yet today, we use more of both than ever before and no end is in sight. Figure 5 shows global primary energy consumption by energy source projected to 2050. Oil's share of total world energy demand in 2050 will only decline from 30.6% today to 29.8% in 2050.

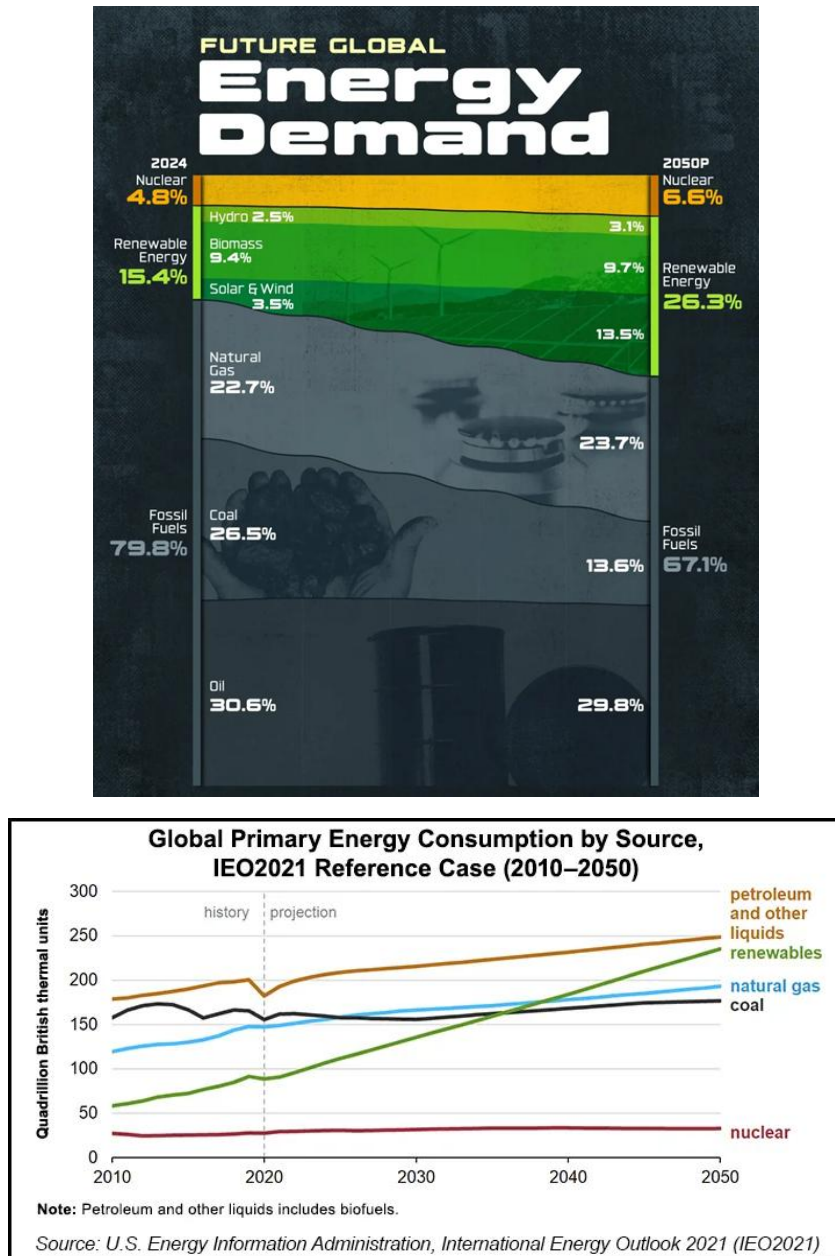
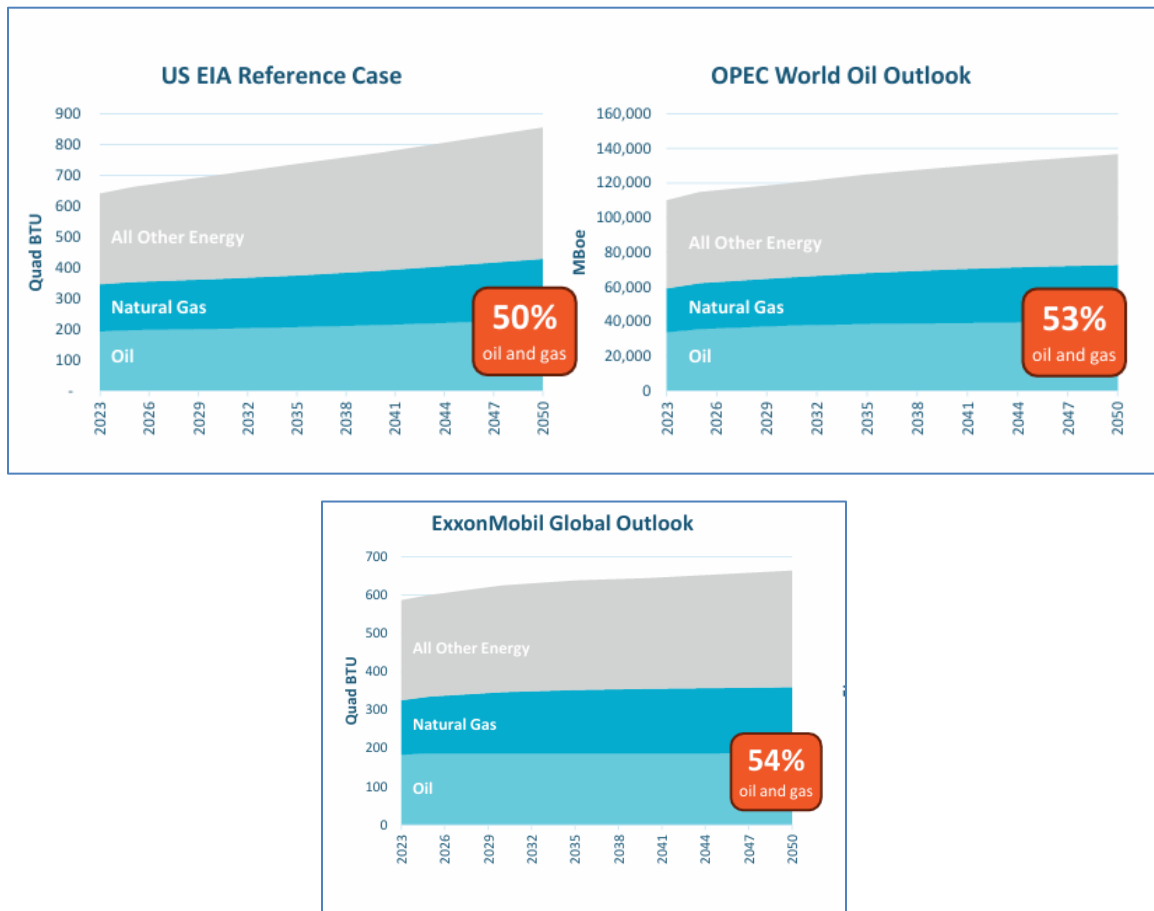


Figure 5

Fig 5 illustrates global primary energy consumption by energy source. By 2050, oil and gas are projected to supply roughly 53% of global energy needs. Source: [Energy Information Administration \(EIA\)](#)

In all modeled scenarios, oil and natural gas will continue to constitute a significant portion of the global energy mix out to 2050 and beyond.



When looking at energy policy it is important to know that our nation is the worldwide leader in energy production. With the right energy policy, we can move forward and build upon our nation's energy abundance, self-determination, and global energy leadership. We need tax policies that don't compromise our ability to grow the economy and create jobs. We need regulatory reforms that don't add unnecessary layers of compliance burdens on top of existing protections. We encourage everyone to listen to the facts when it comes to energy policy discussions and focus on what's important: American jobs, American energy security, and American global energy leadership.
