

RAILROAD COMMISSION OF TEXAS

(1) From your agency's point of view, what regulations can be reduced to improve communication and cooperation between federal, state, and local governments within the Texas-Mexico border region?

Under the Bush administration, the permitting process at the federal level has been streamlined to encourage more energy-related infrastructure development. Continued focus on streamlining this process should be encouraged.

(2) What are the main trade issues between the United States and Mexico that you have identified as having an impact (both positive and negative) on your agency or your area of work?

Now is an important time in the energy sector in both Mexico and the United States. The long-term demand for energy is growing and the need for energy is greater than ever before. Communications between Mexico's Comision Reguladora de Energia (CRE) and the Railroad Commission of Texas are ongoing and have focused on eliminating barriers in a move toward a more "seamless" border between Texas and Mexico through which electricity and natural gas can easily flow.

(3) Having studied the flow of commerce at ports of entry between this state and Mexico, including the movement of commercial vehicles across the border, what actions would you establish to aid that commerce and improve the movement of those vehicles?

N/A: Not within the RRC's jurisdiction.

(4) How do you work with federal officials to resolve transportation issues involving infrastructure, including roads and bridges, to allow for the efficient movement of goods and people across the border between Texas and Mexico?

In addition to roads, pipelines serve a vital role in the efficient movement of hydrocarbons across the border. Although cross-border pipeline projects have experienced a lengthy federal permitting process, sufficient pipeline capacity has been developed to meet near-term demand.

(5) How does your agency work with federal officials to create a unified federal agency process to streamline border-crossing needs?

The RRC's influence on the federal process is largely based on the agency's leadership by example. The federal permitting process for natural gas pipelines involves six regulatory agencies and can be time consuming. In the past it was not unusual to take up to 3 years for a company to receive a Presidential Permit, which is needed to build cross-border pipelines. We are encouraged by recent actions of the federal agencies to follow what we have done in Texas and streamline the federal process.

(6) Has your agency identified problems involved with border truck inspections and related trade and transportation infrastructure? What are those? What solutions/recommendations does your agency propose?

N/A: Not within the RRC's jurisdiction.

(7) How do you work to increase funding for the North American Development Bank to assist in the financing of water and wastewater facilities?

N/A: Not within the RRC's jurisdiction.

(8) Has your agency explored the sale of excess electric power from Texas to Mexico? What are your findings?

N/A: Not within the RRC's jurisdiction though possible impact for ERCOT and the Public Utility Commission.

(9) Has your agency identified any areas of environmental protection that need to be addressed cooperatively between Texas and the Mexican states? If so, which are those areas and what type of protective measures need to be taken?

No.

(10) Has your agency identified common challenges to health care on which all Border States can collaborate? If so, what are those challenges and how can all Border States collaborate to overcome them?

N/A: Not within the RRC's jurisdiction.

(11) Has your agency developed any recommendations to address border challenges in general? If so, what are they?

No, other than that described in response to Question 12 below.

(12) What programs and services does your agency offer to border communities?

The training section of the Commission's Alternative Fuels Research and Education Division organizes and conducts classes on how to respond to propane emergencies for volunteer firefighters and other first responders statewide. In fiscal 2006, two of these classes—one in Brownsville and the other in El Paso—were co-sponsored by the Mexican LP-Gas Association (ASOCIMEX) and the LP-gas safety office of the Energy Ministry of Mexico (Secretaría de Energía) and included firefighters from Matamoros and Ciudad Juárez, as well as ministry and association officials from Mexico City. The classes were evaluated favorably, and additional classes in this format are planned during fiscal 2007.

(13) What are some regulatory and/or legislative recommendations to eliminate duplication and combine programs and services?

While jurisdictions for pipeline permitting are shared between agencies at both the state and federal level, the RRC is not aware of any duplication in the process.

(14) Please share any considerations from your agency regarding the effect of policies instituted by the federal government impacting the border region.

Infrastructure is crucial to the continuing progress of the U.S and Mexican economies. The reasons for the energy challenge we are currently facing have less to do with the global hydrocarbon resource base, which is still enormous, and more to do with infrastructure constraints that can and must be addressed as a matter of the highest priority at the highest levels of government.

(15) Please give a brief summary of all your agency's activities related to the Border and/or Mexico.

For the last several years, in coordination with Governor Perry's Office of Economic Development and the Texas Secretary of State, the RRC has co-hosted a Texas Energy Trade Mission to Mexico in Mexico City. This year, over 130 individuals participated in the trade mission, which seeks to encourage cross-border energy sector business development as well as fostering ongoing positive relationships between Texas and Mexican energy sector officials.

Mexico is critically important to Texas and the U.S. with regards to energy security. On average, the U.S. imports over 1.5 million barrels of crude oil per day from Mexico – second only to the amount of oil imported from Canada. The U.S. exports from 350 to 400 billion cubic feet of natural gas to Mexico annually – most of it coming from Texas.

For Texas and the U.S. to continue increasing its natural gas exports to Mexico, more development of cross-border pipelines will be required. Over five years ago, the Texas Railroad Commission and the CRE -- its Mexican agency equivalent, began a series of meetings to discuss ways to promote and streamline the regulatory process of energy projects on both sides of the border. The CRE and RRC staffs have had several discussions to explore ways to minimize or eliminate regulatory barriers. One of the barriers identified on the U.S. side was the permitting process on cross-border pipelines.

On the U.S. side, there are four Texas state agencies and six U.S. federal agencies that are involved in permitting cross-border pipelines. To facilitate streamlining of our cross-border permitting process, three years ago the four Texas state agencies came together and signed a memorandum of understanding (MOU). As a result of this MOU, a working group was formed to streamline the state-level permitting process. This effort has resulted in the consolidation of the steps required by the state agencies involved in cross-border energy projects, thus reducing the overall time and costs associated with the permitting process on the state level.

In sum, Texas is the top exporting state in the nation, having exported \$128.8 billion in 2005. While Texas exported to 218 foreign destinations in 2005, Mexico was again our greatest trading partner with Texas exports to Mexico totaling more than \$50 billion in 2005. It is to the mutual benefit of both Texas and Mexico to continue to foster a positive energy sector trade relationship with our neighbor to the South.