SSDA News

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Claiming Excess WOTC Credits Against Payroll Tax Keeps Cash Flow Coming

By Roy Littlefield

Many employers hit a situation where their certified WOTC credits are larger than their income tax liability. This is especially true for small businesses.

In the usual case, employers must carry forward the excess credits to the next tax year, or longer.

This income deferral reduces an employer's current cash flow, it's like a loan to the Federal government, and it can be harmful to business. Especially with wage/price pressures these days, it can jeopardize a company's ability to operate.

Legislation proposed by Chairman Wyden to enhance the Work Opportunity Tax Credit during the continuing COVID-19 emergency will contribute greatly to restoring the health of our nation's workforce.

At the same time, new cost and supply-side challenges are sweeping the economy, especially the six percent consumer price rise, and even larger producer costs, since last year. Cost-growth is narrowing profit margins of employers, large and small, but especially harms firms which traditionally operate on low margins, like employers in retail, restaurant, hospitality, and many other sectors which use WOTC. While paying more for labor, competition limits their ability to raise prices.

Due to these challenges, we are now hearing from employers who are currently accumulating more WOTC credits than the amount of income tax liability available to receive the financial value of those credits. This causes employers to carry forward excess credits, delaying receipt of value and limiting much-needed cash flow to an uncertain future, which can be harmful to their business.

Requiring employers to carry forward their WOTC credits to receive the financial benefit they have earned is unwise policy. The cost to the government of the average WOTC worker, after wage deduction for amount of the credit, is $1,900, while research has shown the government's benefit from WOTC is several times that amount of the credit from welfare savings alone. Asking an employer to defer $1,900 a year for each worker hired under WOTC is like a loan to the Federal government; it produces a negative reaction among employers, especially small businesses, that can damage the WOTC program at a time when our goal is ten million new hires and growing workforce participation.

We therefore recommend that Congress modify current law, 26 USC 51(c), to authorize employers to claim certified WOTC credits against payroll tax when there's insufficient income tax liability to liquidate the credits, with the US Treasury reimbursing the Social Security Trust Funds.

How to Recognize the Signs of Email Fraud

Cybercrime Is on the Rise

Cybercriminals are finding increasingly clever ways to infiltrate your business and compromise your security. Net Driven wants to make sure your shop is protected from harmful digital attacks.

You may be thinking, "Cybercrime only targets large corporations. I have nothing to worry about." However, every year one in five small organizations is a victim of cybercrime. Cybercriminals target smaller organizations because they assume that these businesses have fewer defenses in place to prevent cyberattacks.

"Well," you say, "is there anything I can do to avoid a cyberattack if it comes my way?" Good news, 100% of cybercrime can be prevented through the vigilance of your "human firewall." What is this resource? It's you and your team members, who can form an impenetrable barrier against cybercrime by knowing the types of attacks and how to address them.

Email Fraud

Did you know that 91% of data breaches are conducted through email fraud? Email allows cybercriminals to impersonate another entity as a means to connect with and extort your business. The most common type of email fraud is phishing.

"Phishing" is a fraudulent email that claims to be from a legitimate source in order to access sensitive information such as passwords and credit card numbers. For example, popular phishing angles include security alerts on your professional or private accounts, changes to your health benefits and HR announcements. But when you interact with these fraudulent emails, such as clicking a link or attachment, you could be compromising your private information and putting your shop at risk.

Recognize the Signs of a Phishing Email

Phishing emails have evolved to target specific emails by appearing highly personalized, such as addressing you by name or repeating some information about your position. It's important to always look twice at an email, as it can appear innocent at first but contain some telltale signs of fraud.

Here is a list of signs to identify a phishing email:

Fake "From" Email: Hackers often try to infiltrate businesses by impersonating a legitimate domain, such as a subscription service or vendor. Always make sure the "From" email is legitimate (e.g., ends in "@netdriven.com"). If you receive an email that seems out of the ordinary for your role (e.g., you work in sales but were billed an invoice), check with a coworker or supervisor to confirm that email is real and was meant for you.

Generic Greeting: Cybercriminals may not have access to your personal information, so they make do with generic email content. Openers such as "Dear Customer" may be a sign that the email was sent by a hacker.

Poor Writing: If you receive an email that is riddled with mistakes like misspellings and bad grammar and punctuation. Remember, a credible business would not send you an email that contains poor writing. Now, you may not be surprised to receive this email from your coworker who doesn't use punctuation, but keep your guard up if you receive an internal email has a strange tone or seems out of the ordinary.

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NET DRIVEN

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Urgent Content: Urgency is a common cyber-criminal tactic, as they're trying to fluster you into making a snap decision and walking into the trap. If you receive an unexpected email whose subject line urges you to open immediately or whose body message tells you to click on a link or download an attachment now, take a step back. Ask yourself, "Is this email asking me to do something out of the ordinary? Is there a legitimate reason I would need to act now?"

Fake Links & Attachments: Phishing emails use fraudulent links and attachments to breach your security walls and gain access to payment and contact information or slip a virus into your software. Doublecheck any links before clicking to determine the link structure looks normal and matches the email sender. Does the URL represent a real website and start with "HTTPS:"? Similarly, don't click on an unexpected of funny-looking attachment.

Tips to Stay Vigilant & Protect Your Business

Constant vigilance will prevent a security breach every single time. First, follow the three fundament steps of thwarting a cyberattack:

Stop: Check and doublecheck your incoming emails. Never absentmindedly click on an email.

Look: Look twice before you interact. Do you see any signs that the message is a phishing scam?

Think: Does this email look real? Is anything out of the ordinary?

Additional steps to prevent a security breach:

Create unique, complex passwords for every account & never share your password(s) with anyone.

If an email looks "phishy," contact the sender in a different way, such as by phone or visiting their website in a different browser.

Don't log into an account using a login link in an email. Go to the actual login page and enter your credentials there.

Use second-hand verification if you receive a strange email from a company or coworker. Make sure you always know to whom you're responding.

Don't click on an email attachment if you don't know what it's for or what's inside.

If you suspect an email is fake, report it as a phishing attempt to your email service provider immediately.

Bottom Line: Provide Security Awareness Training

Your team can be your greatest cyber security asset or your biggest vulnerability, depending on how prepared they are to recognize and navigate a security threat. We highly recommend providing security awareness training for your entire team, as trained employees are more likely to notice and report suspicious emails. Create guidelines for your team to follow in terms of identifying and reporting suspicious emails and other security threats.

Thanks again for Attending!

We thanks all those SSDA-AT members who attended the Annual Meeting in Vegas!

At the meeting, the group reviewed the new federal position papers for 2021 on the top 10 issues SSDA-AT is working on in Congress.

SSDA-AT plans to hold their next meeting virtually and we will explore options for another in person meeting in the Spring.

Once again we thank those who attended!

Happy New Year from SSDA-AT!!!!

Science, Policy & Risk Perspectives: EPA's Worker Protection Decisions Must Be Supported by Best Available Science and Relevant Exposure Scenarios, ACC

Whether you're working in your garden, varnishing your furniture, or cleaning your toilet, most of us know that chemicals can be dangerous when used improperly and that it's important to follow instructions on how to use them safely.

It's no different in the workplace. That's why the U.S. Occupational Safety and Health Administration (OSHA) requires employers to provide workers with both training and information about the potential hazards and risks associated with the chemicals and substances in their workplace. This includes educating workers on how to identify chemical hazards and precautionary measures taken to protect workers. For specific chemicals, OSHA also establishes exposure limits to minimize worker exposure and identifies requirements, such as the use of personal protection equipment, engineering controls, standard operating procedures, training programs, and notification requirements, in the workplace.

What's probably less well known is that the U.S. Environmental Protection Agency (EPA) also plays a role in protecting workers against potentially harmful exposures to chemicals. Under the Toxic Substances Control Act (TSCA), EPA must evaluate chemicals to determine whether they present unreasonable risk under their "intended, known, or reasonably foreseen" circumstances of manufacturing, processing, distribution, use, or disposal. If there is workplace exposure to a chemical EPA is evaluating, EPA must evaluate the potential risks to workers from that exposure.

It's been five years since enactment of the 2016 TSCA amendments. Over the course of these last five years, ACC has provided extensive comments to EPA, along with constructive feedback aimed at ensuring the agency meets both the letter and intent of TSCA's statutory and regulatory requirements to apply the best available science in determining the potential hazards, exposures, and risk of chemicals. While EPA has made considerable progress in meeting the law's new requirements, the agency has also lacked sufficient understanding of the workplace environment or relevant exposure conditions.

TSCA specifically requires EPA to evaluate a chemical's hazards and relevant conditions of use that can lead to exposures. EPA cannot disregard typical conditions of use. Yet, in many of the initial TSCA evaluations, some of the agency's methods for estimating worker exposures were based on unrealistic assumptions that did not reflect actual workplace conditions of use and routine worker protection procedures. Consequently, EPA drew a number of flawed conclusions that some exposures were inadequately controlled, presented unreasonable risk to workers, and that additional risk management actions need to be considered.

In the Summer of 2021, EPA announced that it plans to revisit certain aspects, particularly regarding worker exposure, of some of the first set of 10 TSCA chemical risk evaluations developed under the new provisions of TSCA that were enacted in 2016. The agency now has an opportunity to re-evaluate its flawed methods and conclusions and incorporate relevant and realistic exposure information as the foundation for its analysis and conclusions.

Despite acknowledging that "many companies do provide and require PPE for their workers, comply with applicable OSHA standards, and go well beyond what OSHA requires to keep their employees safe," EPA has also recently stated that it will not consider information on the use of PPE, or other ways that industry protects its workers, in the risk evaluation phase and, instead, wait to consider this information in the risk management process. The law requires EPA to evaluate risk, taking into account the specific conditions of use, which the law defines as the circumstances under which a chemical substance is intended, known, or reasonably foreseen to be manufactured, processed, distributed in commerce, used, or disposed of. Under TSCA, EPA must integrate and assess available information on hazards and exposures for the conditions of use of the chemical substance. To comply with these provisions, EPA must include in TSCA risk evaluations those specific conditions of use in which PPE is employed and/or specifically required by other federal regulations.

The agency should not compound its mistakes of the past. EPA needs to consider actual workplace conditions in its review of the initial 10 risk evaluations. And in future risk evaluations, EPA should incorporate legally required worker protection programs and procedures already in place under OSHA's requirements.

If EPA is re-doing these initial risk evaluations, EPA should, as required by law, base its TSCA risk evaluations of chemicals on "best available science" about a chemical's hazards, exposures, and relevant conditions of use. Best available science means EPA must use the most up-to-date knowledge about how chemicals act, what the actual exposures are, and how those exposures are currently managed. Under best available science, EPA must use the most current scientific approaches for determining whether all those factors – taken together -- present unreasonable risk to workers, requiring additional controls in the workplace. We understand EPA is now working more closely with its OSHA and National Institute for Occupational Safety & Health (NIOSH) counterparts to better understand workplace exposures and industrial hygiene (IH) practices. These are encouraging indications and ACC urges EPA to increase and enhance the IH expertise in its risk evaluation program.

Biden wants the US government to eliminate CO_2 emissions by 2050, Hawkins

President Joe Biden signed an executive order outlining a sweeping plan for the federal government to achieve carbon neutrality by 2050. Under the plan, the government would spend billions of dollars to purchase electric vehicles, upgrade federal buildings, and leverage the power of the government to shift to cleaner forms of electricity.

It won't be a completely seamless transition, though. The government would stop purchasing gas-powered passenger cars in 2027 but would only achieve 100 percent electric vehicle purchases by 2035.

Biden's order would direct the government to reduce its greenhouse gas emissions by 65 percent by the end of the decade before reaching full carbon neutrality by 2050. Based on the scope of the government's electricity demands, the president expects this would help add 10 gigawatts of clean electricity to the grid by 2030. The plan also calls for federal buildings to be "net-zero" by 2045, including a 50 percent reduction in carbon emissions by 2032.

The 2050 deadline for carbon neutrality is in line with what scientists have found is necessary globally to prevent catastrophic climate change. And it reflects the president's broader goals to slash greenhouse gas emissions nationwide. Under the Paris Agreement, the US agreed to cut its emissions by up to 52 percent this decade compared to 2005 levels.

There's a growing urgency to reduce planet-warming pollution at the federal level. Experts have determined that global carbon emissions need to drop by half this decade and reach close to zero by the middle of the century in order to achieve the goals of the Paris Agreement and prevent some of the most devastating effects of climate change.

The US is the second-largest producer of greenhouse gases after China, but a lot of momentum was lost under former President Donald Trump, who pulled the US out of the Paris Agreement and rolled back regulations governing vehicle tailpipe emissions.

Regarding electric vehicles, the executive order represents the fulfillment of a promise Biden made on the campaign trail to swap government fleet vehicles with American-made EVs. The second piece of his plan to spur the mass adoption of electric vehicles is to offer generous tax incentives, which is being debated in the Senate as part of the president's Build Back Better plan.

As of 2020, there were nearly 657,506 vehicles in the federal government's fleet, according to the General Services Administration. This includes 250,499

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Biden wants the US government to eliminate CO2 emissions by 2050, Hawkins

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civilian vehicles, 181,462 military vehicles, and 225,545 post office vehicles. In total, that fleet represents $4.2 billion in vehicle leases, acquisitions, and purchases. And despite the pandemic, those vehicles traveled 4.16 billion miles in 2020.

The White House provided some early examples of how the government will begin to transition to using electric vehicles, including the Interior Department and US Park Police using electric motorcycles and dirt bikes, and the Department of Homeland Security field testing the Ford Mustang Mach-E as an enforcement vehicle.

Biden's plan represents a validation for the EV investments made by automakers over the last several years. Ford has said it will spend $29 billion introducing a raft of new EVs, while GM has committed to spending $35 billion on electric and autonomous vehicles through 2025. Meanwhile, Tesla's remarkable stock market rally over the last two years has made it the most valuable automaker in the world and its CEO, Elon Musk, the richest man on the planet.

Biden's order may not be a direct win for Tesla, though, which has mostly focused on luxury and performance vehicles. Automakers that could benefit include Ford, which is working on an electric version of its Transit vans, and GM, which just spun out a new company called BrightDrop focused on electric delivery vehicles. Both companies are in the process of rolling out electric trucks that would be useful for a variety of governmental purposes.

But to achieve the government's electric vehicle goals, the industry will need to overcome delays related to the semiconductor shortage and install enough charging stations to make EVs more practical. Last month, Biden signed the $1.2 trillion infrastructure bill into law, which includes $7.5 billion for electric vehicle charging stations.

The hope is that Biden's order will help spur demand for clean electricity, zero-emissions vehicles, and more sustainable building materials across the country. "The government is a significant driver of demand," Sarah Bloom Raskin, a Duke University law professor who served as treasury deputy secretary under President Barack Obama, told The Washington Post, adding that federal procurement officers can "send a signal" even without adopting new regulations or passing legislation.

Canadian oil output to peak 7 years sooner than previously forecast, regulator says, Reuters

Oil output in Canada, the world's fourth-largest producer, will climb over the next decade and peak at 5.8 million barrels per day (bpd) in 2032, seven years sooner than previously forecast, the Canada Energy Regulator (CER) said.

The CER said a rebound in oil prices after the pandemic-related crash last year meant more near-term investment would help production grow quicker than previously anticipated, before it starts to slowly decline to 4.8 million bpd by 2050.

The level of anticipated peak production is unchanged from last year's projection. Canada's current production is 5 million bpd.

The CER said oil production is likely to remain resilient over the next three decades, despite relatively low oil prices and steadily more ambitious climate policies, thanks to northern Alberta's vast oil sands deposits, which account for nearly two-thirds of Canadian production.

"The resilience is really owing to the unique nature of the oil sands, once they are built they are very long-lived and operating costs are quite low," Darren Christie, the CER's chief economist, said in a news conference.

"The vast majority of oil sands production we have in 2050 is coming from facilities that are already producing today."

The projection is part of the CER's central "Evolving Policies" scenario, which expects action to cut carbon emissions from global energy systems will continue at a pace similar to that seen recently.

Under a scenario in which climate policies do not evolve, the

Canadian oil output to peak 7 years sooner than previously forecast, regulator says, Reuters

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CER expects higher oil prices and Canadian production to rise faster until it reaches a plateau of 6.7 million bpd in 2040.

In the central scenario, Canadian natural gas production is expected to remain close to current production levels of 15.5 billion cubic feet a day (bcfd) over the next two decades, before declining to 13.1 bcfd by 2050.

Energy use in Canada is projected to fall 21% by 2050 as energy efficiency improves, and CER expects carbon capture and storage to play an increasingly important role in helping cut emissions.

The regulator said Canada's fossil fuel use without carbon capture and storage to sequester the emissions will fall 62% by 2050. Overall fossil fuel use is expected to decline 40% by that year, but the regulator said the country will not be able to achieve net-zero emissions unless it makes more drastic changes.

Federal Contractor Vaccine Mandate Blocked in KY, OH, and TN

As we have reported on previously, the President has signed an Executive Order requiring all federal contractors (regardless of size) have all employees who work in any way on the federal contract be vaccinated ("Federal Contractor Rule").

However, a federal judge has blocked the Federal Contractor Rule from being enforced in Kentucky, Ohio, and Tennessee. We will continually monitor developments as to the progress of future legal challenges and provide updates if the Federal Contractor Rule is blocked nationwide.

Coverage

While initially the Federal Contractor Rule was initially thought to only apply to federal contracts for services, it has now been clarified that the Federal Contractor Rule applies to all federal contracts (services and goods).

The requirements in the Federal Contractor Rule also apply to subcontractors at all tiers.

If an employer is questioning whether an employee works on the federal contract, we recommend the employer treat the employee as being covered by the Federal Contractor Rule.

Vaccine Requirements

The Federal Contractor Rule does not allow for testing in lieu of vaccination (unless considered as an accommodation to an approved medical or religious request for exemption).

Covered employees must be fully vaccinated by January 4, 2022. Individuals who received the second dose by January 4, 2022, will meet the "fully vaccinated" requirement.

Federal contractors must require documentation from employees to prove vaccination, even if an employee has previously attested to their vaccination status.

Religious and Medical Exemptions

Employees who claim a religious exemption must be required to provide a written statement that they have a sincerely held religious belief that prevents them from receiving the vaccine. No additional verification of the religious belief can or should be required.

Employees who claim a medical exemption must be required to provide a written statement that is supported by medical documentation that they have a medical or mental health condition that prevents them from receiving the vaccine.

Opinion: Use Your Influence To Inspire A New Generation Of Leaders

One of the hallmarks of a great leader is their ability to raise up and inspire a new generation of leaders. They don't hoard their talent, instead they look for opportunities to invest in others and they find ways to mentor and produce new leaders. Using your influence to build people up instead of tear them down makes you a great leader. Here are some of the ways you can use your influence to produce and inspire new leaders.

Use your influence to help someone get through college

Being the first person in a family to go to college is a big deal. It's a milestone that signals new things for the future of that family line. Many leaders give scholarships either through a foundation or directly from their companies for first generation college attendees. Some leaders take it one step further and offer mentoring and help to the scholarship recipients directly. When you can help someone study for their calculus 1 online course or you teach someone the best way to write a research paper, you help them develop confidence that they can and will succeed no matter what they put their mind to.

Use your influence to stop hiring managers

Anyone can learn how to manage tasks and people doing work. Not everyone is a leader. Not everyone is ready to pour out their knowledge to help people advance and succeed in life. But one of the things you can do to ensure you are producing more leaders in your entrepreneurial pursuits is to stop hiring managers. Look for people who lead by example instead. Promote people who build others up. You could hire a person with a long list of credentials, but isn't the kind of leader you want to cultivate.

Use your influence to share your story

Every leader has a story. Good leaders have often gone through trials in life and business that taught them priceless lessons. These lessons can be shared to help other avoid similar mistakes or to encourage people going through their own challenges. Your story can be the fuel that pushes other leaders to press on in their journey to create another competent leader.

Use your influence to create resources

Good leaders aren't afraid of competition. They understand that if they raise up new leaders their position isn't in jeopardy. Because of this they develop resources to help new leaders. Leaders aren't afraid of others learning what they know. Good leaders share their knowledge and expertise with others through videos, speaking engagements, books, podcasts, and so much more. Leadership isn't something to hide and hoard.

Use your influence to change mindsets

Mindset is one of the things that distinguishes a leader. Leaders are willing to tackle any obstacle with a can-do attitude. They don't let others tear them down or let the naysayers influence their decisions. Leaders are uniquely positioned to help others develop similar mindsets. They know how to overcome limiting beliefs about themselves and their abilities. And they know how to share those mindsets in a way that can transform others.

Use your influence to develop trust

A trusting relationship at work is important. People who micromanage and don't trust their employees don't garner the same results as a leader. Managers are different from leaders. Managers focus on getting the task done efficiently and making sure everyone does their job. A leader inspires people to want to do a great job. They lead by example and show their staff what it looks like to do the job well.

Because there is a trusting relationship, the employee desires to do a good job not just because they are told, but because they start to take ownership of their role. It becomes important to them. By training them and then trusting them, they feel confident and competent in what they do and how they do it. Be a leader who builds trusting relationships at work, at home, and in the world.

Conclusion

Being a leader is an important role. By leading, you'll inspire other leaders who want to follow and do things with excellence the way that you do. They lead through curiosity and creativity in ways that you could never imagine. When people are encouraged, trusted, and led well, they too can develop their own leadership skills and style. Use your influence to develop new leaders and you will change the world.

IRS issues guidance regarding the retroactive termination of the Employee Retention Credit

The Internal Revenue Service issued guidance for employers regarding the retroactive termination of the Employee Retention Credit.

The Infrastructure Investment and Jobs Act, which was enacted on Nov. 15, 2021, amended the law so that the Employee Retention Credit applies only to wages paid before October 1, 2021, unless the employer is a recovery startup business.

Notice 2021-65 applies to employers that paid wages after September 30, 2021, and received an advance payment of the Employee Retention Credit for those wages or reduced employment tax deposits in anticipation of the credit for the fourth quarter of 2021, but are now ineligible for the credit due to the change in the law. The notice also provides guidance regarding how the rules apply to recovery startup businesses during the fourth quarter of 2021.

Employers who Received Advance Payments
Generally, employers that are not recovery startup businesses and received advance payments for fourth quarter wages of 2021 will avoid failure to pay penalties if they repay those amounts by the due date of their applicable employment tax returns.

Employers who Reduced Employment Tax Deposits Employers that reduced deposits on or before Dec. 20, 2021, for wages paid during the fourth calendar quarter of 2021 in anticipation of the Employee Retention Credit and that are not recovery startup businesses will not be subject to a failure to deposit penalty with respect to the retained deposits if—

- The employer reduced deposits in anticipation of the Employee Retention Credit, consistent with the rules in Notice 2021-24,
- The employer deposits the amounts initially retained in anticipation of the Employee Retention Credit on or before the relevant due date for wages paid on December 31, 2021 (regardless of whether the employer actually pays wages on that date). Deposit due dates will vary based on the deposit schedule of the employer, and
- The employer reports the tax liability resulting from the termination of the employer's Employee Retention Credit on the applicable employment tax return or schedule that includes the period from October 1, 2021, through December 31, 2021. Employers should refer to the instructions to the applicable employment tax return or schedule for additional information on how to report the tax liability.

Due to the termination of the Employee Retention Credit for wages paid in the fourth quarter of 2021 for employers that are not recovery startup businesses, failure to deposit penalties are not waived for these employers if they reduce deposits after Dec. 20, 2021.

If an employer does not qualify for relief under this Notice, it may reply to a notice about a penalty with an explanation and the IRS will consider reasonable cause relief.

U.S. Drillers Add Oil and Gas Rigs for Sixth Time in Seven Weeks -Baker Hughes

U.S. drillers this week added oil and natural gas rigs for the sixth time in seven weeks as demand for energy keeps growing after last year's coronavirus demand destruction.

That rig count increase comes despite oil price declines in six of the past seven weeks.

The oil and gas rig count, an early indicator of future output, rose seven to 576 in the week to Dec. 10, its highest since April 2020, energy services firm Baker Hughes Co said in its closely followed report.

The total rig count was still up 238, or 70%, over this time last year.

Oil rigs rose four to 471 this week, their highest since April 2020, while gas rigs rose three to 105, their highest March 2020.

U.S. crude futures were trading around $71 per barrel, putting the contract on track for its first increase in seven weeks.

Despite oil prices soaring about 47% this year, U.S. shale producers have not added to production, unlike during past periods of high prices. In part, investors have pressured oil companies to restrain drilling and return more of their profits to shareholders.

Scott Sheffield, chief executive of top U.S. shale producer Pioneer Natural Resources Co (PXD.N), said he worries oil prices could get too high and further roil markets after years of underinvestment in the sector. read more

Sheffield said Pioneer is holding firm on plans to grow its production by 5% in 2022, adding one to two rigs per year.

Data provider Enverus, which publishes its own rig count data, said that as of Dec. 8 Pioneer was the most active operator in the United States with 26 rigs.

Some energy firms have raised spending after cutting drilling and completion expenditures in 2019 and 2020. But much of that spending has gone to completing wells that were drilled in the past, known in the industry as DUC (drilled but uncompleted) wells.

"Heavy reliance on the DUC well count is alarming as it is a finite short-term resource, and not one that is expected to support production long-term," analysts at Gelber and Associates said this week in a note.

U.S. oil production is expected to slide from 11.3 million barrels per day in 2020 to 11.2 million bpd in 2021 before rising to 11.9 million bpd in 2022, according to government projections. That compares with the all-time annual high of 12.3 million bpd in 2019.

Irving-Based ExxonMobil Acquires Materia Inc., Plans to Bring Its Nobel Prize-Winning Tech to Scale, Dallas Innovates

ExxonMobil Chemical Company, the Irving-based publicly traded international energy giant, has acquired Materia, Inc., to uncover new applications for a Nobel prize-winning technology.

Since 2017, ExxonMobil and Materia have been collaborating to develop hydrocarbon-based materials that might act as an alternative to existing thermoset products, like epoxy. The intent is to find materials that are stronger, lighter, and more durable—benefits that, in the wind power industry, could enable longer-lasting wind turbine blades to power more efficient renewable electricity.

According to the companies, "the materials could also be used as a lightweight, corrosion-resistant replacement for steel in certain construction applications."

Since it was founded in 1999, California-based Materia has been focused on tech that can manufacture a new class of materials.

The group of ruthenium catalyst technologies was developed by Nobel Prize winner Dr. Robert Grubbs and his research group at the California Institute of Technology. Grubbs was a co-recipient of the Nobel Prize in chemistry for his contributions to the field of olefin metathesis in 2005. He is also a co-founder of Materia.

More recently, Materia has focused on developing its Proxima thermoset resins. The company says its thermosets are designed to act as alternatives to traditional resins.

The materials being manufactured have various potential applications, like wind turbine blades, electric vehicle parts, sustainable construction, and anticorrosive coatings. According to Materia, they take advantage of the "revolutionary catalyst discoveries" that Grubbs and his team made.

"The combination of Materia's innovative culture, dedicated employees, and cutting-edge technology with ExxonMobil's expertise and scale in bringing new technology to market will open up an exciting new chapter for Materia," Grubbs said in a statement. "ExxonMobil's acquisition significantly expands the growth opportunities for this unique technology."

With the deal, Materia will retain its name, acting as a wholly owned ExxonMobil affiliate. The acquisition includes its headquarters and technology center in California and its manufacturing facility in Huntsville, Texas.

"We are reimagining how new hydrocarbon-based materials can form the building blocks to help multiple industries achieve a more sustainable future," Karen McKee, president of ExxonMobil, said in a statement. "This acquisition ties together Materia's Nobel Prize-winning technology with ExxonMobil's complementary proprietary technology and world-class manufacturing capabilities to bring this exciting new class of structural materials to commercial scale."

Global oil supply, demand to find balance in early 2022, ease pressure on prices: EIA, S&P

Global crude oil demand is expected to exceed global oil production for the sixth quarter in a row before supply and demand finds a relative balance in the first quarter of 2022, likely giving rise to limited upward price pressure in the coming months, the US Energy Information Administration said Dec. 7 in its latest Short-Term Energy Outlook.

With demand outpacing supply since Q3 2020, global petroleum stock withdrawals have averaged 1.7 million b/d, contributing to a rally in crude oil prices, the EIA said. But the agency expects stock draws to slow to 900,000 b/d in Q4 2021 and for global oil stocks to rise through much of 2022 as production is forecast to increase faster than global demand during that period.
"These stock builds should contribute to downward pressure on crude oil prices, and our Brent forecast averages $71/b in 2Q22, $70/b in 3Q22, and $67/b in 4Q22," the EIA said.

It added that "growth in production from OPEC+, of US tight oil, and from other non-OPEC countries will outpace slowing growth in global oil consumption, especially in light of renewed concerns about COVID-19 variants."

The agency cut its Brent crude spot price estimate for 2021 by 99 cents/b to $70.60/b, while lowering its full-year 2022 estimate by $1.86/b to $70.05/b. Similarly, the EIA cut its 2021 estimate for WTI crude prices by $1.15/b to $67.87/b and expects prices to fall further in 2022 to average $66.42/b, down $1.86/b from the prior month's estimate.

The EIA cautioned the omicron variant of the coronavirus added a great deal of uncertainty to projections for future energy consumption around the world.

A recent slip in crude oil spot prices from highs above $80/b was prompted by the emergence of the omicron variant as the market responded to risk that oil demand could dampen in the near term.

"It is not yet clear how omicron will affect oil markets and the broader economy," the EIA said. "One of the most likely markets to be affected is jet fuel, and some flights have already been canceled because of the variant."

The agency lowered by 620,000 b/d to 96.91 million b/d its global oil demand estimate for 2021 and cut by 420,000 b/d to 100.46 million b/d its global demand estimate for 2022. It attributed those downward revisions in part due to recently announced travel restrictions.

The agency added that "the potential effects of the spread of this variant are uncertain, which introduces downside risks to the global oil consumption forecast, particularly for jet fuel."

Relief at the pump

As crude oil prices are set to come down, the agency's projections for US regular gasoline prices were mostly unchanged. The EIA maintained its 2021 estimate at $3.00/gal, and edged down its 2022 estimate by 3 cents to $2.88/gal.

Global oil supply, demand to find balance in early 2022, ease pressure on prices: EIA, S&P

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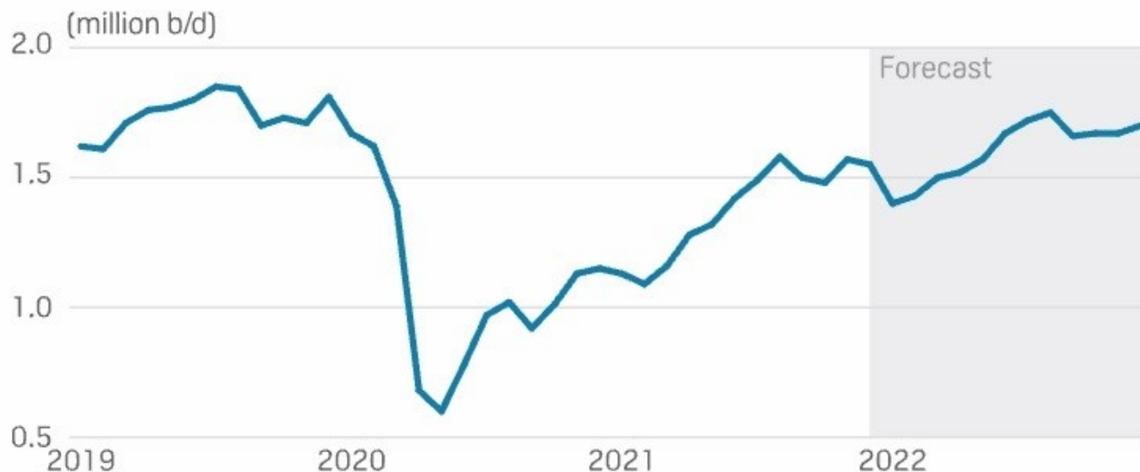
U.S. Energy Information Administration

Averaging $3.39/gal in November, US regular gasoline prices were at their highest level since September 2014. But EIA expects some relief at the pump to be forthcoming, forecasting retail gasoline prices will average $3.13/gal in December before falling to $3.01/gal in January.

"Lower demand, combined with increased refinery production," as well as "market expectations that responses to the omicron variant could reduce demand" were among factors playing into the expected price decline in 2022.

The agency trimmed its 2022 outlook for US oil production by 50,000 b/d to 11.85 million b/d, up from an expected 2021 average of 11.18 million b/d.

While US oil production is forecast to see month-on-month increases through most of 2022, it will not reach the 12.8 million b/d monthly averages seen in and prior to March 2020 before the pandemic hit, according to the EIA.



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