

Corporate-State Relations and State Environmental
Policy: Texas Oil and Gas Flaring Regulations,
1890-2014

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Presentation Overview

Introduction

Background

Methods

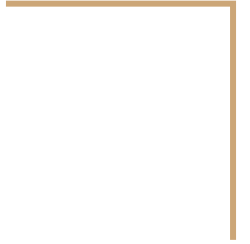
Theoretical Framework

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Introduction



Federalism in a Nutshell

National
Government



State
Governments



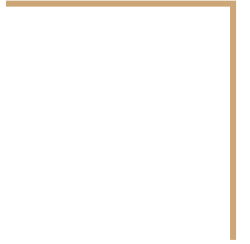
What are the corporate-state
dynamics underlying state
environmental regulation?

Research Question

Research Objectives

- (1) Describe how corporations use political power to influence state-level environmental policy
- (2) Identify the conditions under which corporations mobilize to influence state environmental regulations
- (3) Explain the consequences of corporate political mobilization under different historical conditions

Background



Historical Case: Texas oil and gas flaring regulation, 1890- 2014





Austin

San Antonio

Houston

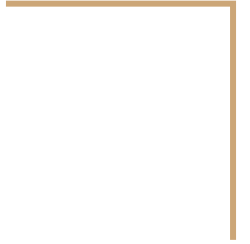
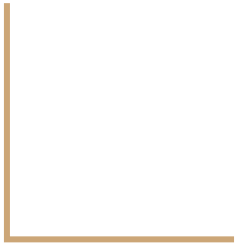
EAGLE FORD SHALE ACTIVITY

GULF OF MEXICO

Corpus Christi

Laredo

Methods



Evenemential Historical Analysis

Archival Data

Industry Reports

Newspaper Articles

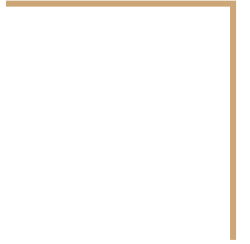
Law Reviews

Court Records

Texas Railroad Commission (TXRRC) Archival Documents

Atlas.TI

Theoretical Framework





Organizational Political Economy

The environmental policy formation process is affected by internal state structures and changes in the external environment (Prechel 2015)

Historical conditions affect the cohesiveness and strength of dominant class segments (Zeitlin 1984)

The state serves the function of mediating conflict between competing class factions, requiring it to maintain relative autonomy (Poulantzas 1973)

State autonomy and the dominance of capitalist class factions are viewed as ideal types within a continuum, affected by historical conditions (Prechel 1990)

Organizational Behavior

Organizations require resources and legitimacy to survive (Pfeffer and Salancik 1978)

The social structure of accumulation provides the institutional arrangements to facilitate capitalist growth (McDonough, Reich and Kotz 2010)

Social structures of accumulation go through three phases (Gordon and Reich 1982): (1) Exploration, (2) Consolidation, and (3) Decay

During the Decay → Exploration phase, capitalists mobilize to implement new policy (Prechel 1994)


Propositions

- (1) Corporate political power increases when the state expands
- (2) Corporate political power increases when the economy declines
- (3) Corporate political power increases as capitalism develops
- (4) Since state policy increases the power of capitalists (P1), the power of the state is greatest when there is broad authority and little bureaucratic development
- (5) Technology development is not positively related to environmental sustainability, but capitalist power over the state
- (6) When there is public outrage, state managers and corporations respond, but the outcome is influenced by the aforementioned historical factors (P1-P5)
- (7) When there is threat of federal control, state managers and corporations respond, but the outcome is influenced by historical factors (P1-P5)

Analysis



1890s



1891- TXRRC given broad authority to manage overproduction and conservation of oil and gas in Texas



1899- State legislature bans the flaring of non-associated gas from gas wells 10 days after the well's completion

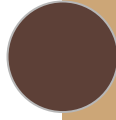
1900s-1950s



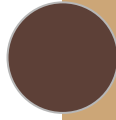
1931- TXRRC given authority to regulate associated and non-associated gas at gas wells



1932- TXRRC hires scientists reclassifying white water oil as gas



1932- Henderson v. TXRRC



1935- TXRRC given authority to regulate associated and non-associated gas at oil wells



1946- Federal Power Commission hearings on gas waste



1947- TXRRC issues no-flare orders



1947- TXRRC v. Shell Oil



1953- Paley Report Issued

1950s-1960s

- 1951- Iran Nationalizes Oil Industry
- 1953- Iranian Coup D'Etat
- 1954- Consortium of Iran/Seven Sisters Established
- 1960- OPEC Established

By the 1970s, the Seven Sisters controlled over 85% of the world's gas reserves

1970s

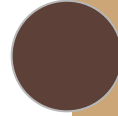
Global Competition and the Energy Crisis



1973- Gas Crisis



1978- Congressman Accuses TXRRC for Price Fixing on National Television



1978- Independent producers join alliance with majors claiming industry failures are the result of inflexible state and federal regulations



1978- TXRRC Issues Statewide Rule 32

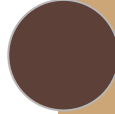


1978- Natural Gas Policy Act Deregulates Interstate Gas Pipelines

1980s-1990s



1981- Oil Glut



1985- Independent Producers and Majors Mobilize in Opposition to State Flaring Regulations that Increase the Cost of Exploratory Drilling



1990- TXRRC Announces



Amendments to Statewide Rule 32

1990- Exxon Asks to Raise Limits



1990- TXRRC Passes Amendment with Raised Limits

2000s-2014



2006- Increased Technology Creates Shale Oil Boom

2007- Private Investors Call for Majors to Address Flaring Problem

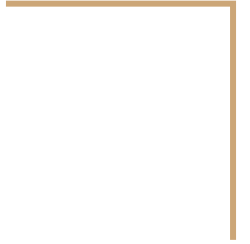
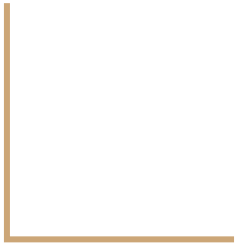
2011- TXRRC and Industry Launch Joint Task Force Leading to Digitizing Permit Requests

2012- Industry Claims Flaring a Side Effect of EPA Policy

2013- Industry Calls for Increased Export Permits

2013- TXRRC Mimics Industry Claims at Congressional Hearings

Findings



Describe How Corporations Use Political Power To Influence State-Level Environmental Policy

Research Objective #1

Corporations influence state
policy through:

Litigation

Arguments Legitimized by State
Structure

A Revolving Door Between
Industry and State Managers

Technocratic Dominance

Political Lobbying

Identify the Conditions under which Corporations Mobilize to Influence State Environmental Regulations

Research Objective #2

Corporations mobilize during historical periods characterized by:

Economic Decline

Public Outrage

Threats of Federal Control

Explain the Consequences of Corporate Political Mobilization Under Different Historical Conditions

Research Objective #3

State power is greatest during
historical periods characterized by:

- Small State Bureaucracies
- Broad Legal Authority
- Economic Growth
- Competitive Capitalism

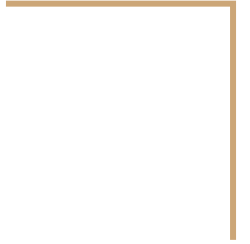
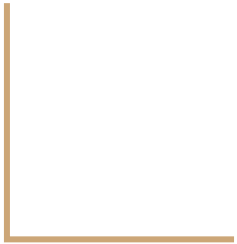
Corporate power is greatest during
historical periods characterized by:

- Large State Bureaucracies
- Specific Legal Authority
- Economic Decline
- Monopoly Capitalism

Propositions- Fully Supported

- (1)Corporate political power increases when the state expands
- (2)Corporate political power increases when the economy declines
- (3)Corporate political power increases as capitalism develops
- (4)Since state policy increases the power of capitalists (P1), the power of the state is greatest when there is broad authority and little bureaucratic development
- (5)Technology development is not positively related to environmental sustainability, but capitalist power over the state
- (6)When there is public outrage, state managers and corporations respond, but the outcome is influenced by the aforementioned historical factors (P1-P5)
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Conclusion



Implications

Findings contradict ecological modernization theory and expand upon the treadmill of production and organizational political economy frameworks

Corporate political behavior at the state-level led to a political structure that provides corporations with the opportunity to legitimately pollute

Communities have little power determining state environmental policy, especially when the regulated industry is a major state economic contributor

Questions?

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