

The Power of Partnership

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Transcript

Good morning everyone, thank you for spending your Friday morning with us today.

I want to begin by telling a story about four years ago. A couple of energy CEOs were talking and comparing notes. They said, "You know, this is what I'm hearing from my workforce and from leaders in the region: our roads are so outdated and honestly, it's dangerous for our employees and for everybody to be driving on them. And they're wildly inefficient when removing product."

"Our schools need to be better. It's hard for me to get people to want to move here when our schools are performing low, but we know that they can do so much better with some time and attention." The same thing with healthcare: "Our employees need access to healthcare, and there's just not enough of it."

"Workforce development programs: they're worried about the future of the workforce in the region. How are we going to have a skilled workforce trained up and ready to go to continue to meet the demands?"

So they're comparing notes and they said, "These challenges are enormous. They're way too big for my company. They're even too big for both of our companies. How are we going to do this? Is it even possible?"

Well, the answer was, "We've got to try, because not doing anything is not an option, and it's going to lead us down a dead-end path. So let's try. Let's see if we can get some more folks to collaborate with us and partner with us, and see where we can go. And let's start with our colleagues in the energy industry."

That was four years ago. Today, they were very successful in those conversations. 16 of the largest energy companies in the world have joined together with one vision and one mission, and that is to make the Permian Basin an even better place to live, to work, and to raise a family. And I want to talk to you about that today, through the power of partnership.

But first, I want you to do me a favor. I want you to clear your minds, and I want you to create a mental whiteboard for me. We're going to take a couple of notes on it that are all going to lead us towards a solution, or at least a path forward.

The World is in Desperate Need of Energy

Okay, point number one: the world is in desperate need of energy. Energy to power manufacturing, energy to power transportation, energy to heat and cool homes, and energy to make almost everything we use in our daily lives. So that's point number one: world energy demand is growing.

Exponential Growth in Energy Development

Number two: there is one region in the U.S. that has world-class size energy resources. And not only are the size of these resources impressive, but the efficiency and the cleanliness by which they are harvested is almost unmatched. In fact, this U.S. region has caught the attention of Fortune 500 size global energy companies who scoured the world for places to invest their capital and their human talent. And they have chosen this one region in

the United States to invest in. So point number two: one U.S. region has experienced exponential growth in energy development.

Now, as you can imagine, along with this exponential growth comes some pretty significant challenges. Our infrastructure is incredibly outdated, and there's not enough of it. Our local school system and healthcare systems need to be improved and also expanded, and the same can be said about workforce development opportunities. So point number three: challenges have resulted from this increased activity.

Focusing on Social Impact (ESG)

Fourthly, going back to these global energy companies, often many times a year these CEOs are having conversations in their boardrooms to talk about the environmental, social, and governance impacts that this increased activity is having, not only within their company but regionally and globally.

Well, these 16 energy companies that we spoke about in the beginning have come together specifically to address the "S," or the social part of ESG. And when we're talking about the "S," we're talking about these large energy companies creating a unique response to social challenges.

Now let's talk a little bit more about ESG. Oftentimes when you hear the term ESG, the focus has been on environmental and governance. But what is the "S," right? The "S" often gets left out. Well, I would argue the "S" is equally important, if not more important, than the other two, because here's why: the "S" is an investment in human capital. And after all, sustainability – which is what ESG is all about and is a basic fundamental of what companies strive to do every day – sustainability is really all about humanity, right? And that's why we do all of these things. That's why we produce energy.

So, 16 companies focusing on the "S" and the impact that it has on our local economies is pretty amazing, and it's very unique today. Hopefully that will change.

The Permian Basin and The Permian Strategic Partnership

So let's talk about this U.S. region that I've mentioned before. The Permian Basin covers over 86,000 square miles, yet it's home to a little over 800,000 people. By contrast, the state of Minnesota is also 86,000 square miles, yet is home to 5.6 million people. So in short, the Permian Basin is large in land mass, it's small in population, it's outdated in infrastructure, and yet it is strategically important to the global economy. So what are we going to do about this?

Well, these 16 companies have formed this coalition that we've been talking about, called The Permian Strategic Partnership (PSP). If you look at this list, my goodness, what a list of competitors! How on earth are they ever going to work together and row in the same direction and agree on what path to take forward? Well, let me tell you, it is happening, and it's happening right here in our region, and we're going to go into some detail about how that's happening here in a moment.

When they first started, the PSP decided they were going to do this. They said, "Well, we can't just launch out and take in every idea. We can't be all things to everybody, so we really need some guidance here. We need some research and data to really show us where to focus our efforts and our resources."

So they spent a significant amount of time and resources doing that, and the data came back and showed: if you want to move the needle, not only move the needle, if you want to be transformational in the projects and the efforts that you take up, you need to focus on five areas for your region. And those five areas are education, healthcare, infrastructure, housing, and workforce development. All under the mission to strengthen and improve

the quality of life for Permian Basin residents by partnering with federal, state, and local leaders to develop and implement strategic plans under each of these areas.

So now we've narrowed it down from a thought or a concept to five areas, which each of these areas are still daunting. How do you tackle one of these, right? Let alone five of them. Where do you start? Well, let me tell you, you start... there's no area that we found that you pick and you go. You start them all, right? You start them all simultaneously and you meet the community where they're at.

PSP's Impact and Investment

So let's talk about where we're at so far. So PSP is three years old now, and in three years, we have been able to directly invest \$90 million in projects into our region. But more impressively, we have leveraged our dollars into investments totaling \$950 million. That's almost a billion dollars in three years!

PSP could not have done that alone. Certainly not one or two of our companies could not have done that alone. We did it by collaborating with public and private partners at the federal, state, and local levels to get almost a billion dollars back into our community, and that's just after three years.

Education & Workforce

As we get better at this and we find more partners who will collaborate with us, as we think outside the box, think about what can be done if this happened in three years. To put this in perspective, because if you're like me, a big sports fan, especially moving to Texas and getting more into college football, this is the equivalent to taking the 10 largest college football stadiums in the country, filling them to capacity, and handing every single person in every single one of those stadiums a brand new iPhone, which is about a thousand dollars. That's the equivalent to a billion dollars for those of us who have never seen a billion dollars.

So let's talk about each of these areas. I want to start with education and workforce. There is no bigger driver to attracting and retaining a talented workforce than access to a quality public education. And in turn, that quality education is going to train the future of our region, the future of the Permian Basin. This is why, to date, you'll see the Permian Strategic Partnership has invested over \$50 million into education and workforce.

These are projects that improve access for teachers to have top-notch training that they may not otherwise get – not just the training, but the support system that goes along with that training. We have projects that will hopefully help improve the performance of our current schools by creating some competition. We've also made a significant investment, and we'll probably do more, in the areas of career technical education. There are some of our kids out there who are not meant to go on or don't want to go on for a four-year degree, so we need to give them the skills to go into the workforce, have a well-paying job, and contribute to our economy in the way that we know they can.

Healthcare

Next, let's talk about healthcare. Access to quality healthcare for every resident in the Permian is of critical importance. We know that pre-COVID, we had significant shortages when it came to doctors and nurses and certainly specialty care. And then the pandemic hit, and it's even larger now. So what can we do about that? Well, going back to: we have talent right here in the Permian that we can harness and train amazing healthcare professionals.

This is why, over the past three years, PSP has invested over \$40 million into training more doctors, nurses, physicians assistants, surgeons, and mental and behavioral health professionals that are going to practice right here in the Permian Basin.

Infrastructure

Next is infrastructure. So this one's a tough one, right? Even with these 16 global energy companies and our public-private partnerships, that's still not enough money to start building roads. To put it in perspective, when you put all of PSP's investments together, we could buy a bridge and a half, just to put this in perspective. That's how expensive infrastructure is. So we can't buy infrastructure, so what do we do about that?

We advocate for infrastructure dollars. We tell our story. We tell Washington D.C., and we tell Austin, and we tell Santa Fe: an investment in Permian infrastructure is actually an investment in the global economy. It's an investment in the economy for Texas, and it's an investment in the economy for New Mexico. So it's in everybody's best interest that the infrastructure in the Permian is up-to-date, it's efficient, and most importantly, it is safe.

This is why we have spent a lot of time and energy through our own investments for the data to take to these leaders to show them what their investment will do, and advocacy. We've helped bring over \$700 million in the past three years back to the Permian to improve our roads, to improve overpasses and off and on ramps. And this is just a drop in the bucket, by the way, because of the cost of infrastructure, but it's a good start.

And equally as important, people are now starting to understand the importance, the global importance, of the Permian Basin. This world and this country is going to need the Permian for a long, long, long time, regardless of the rhetoric that we're hearing in Washington D.C. We're going to be around for a long time, and we need the infrastructure to produce what people rely on us to produce.

The Permian Basin: A Once-in-a-Generation Opportunity

We believe at PSP we are in the midst of a once-in-a-generation opportunity that has brought us together for a common purpose: to strengthen the communities where we live and work. Why do I say that?

Because you have 16 energy companies all in the same boat, using Adrian's analogy, all rowing at the same time and all headed in the same direction. We are also in a position where we have the world's largest, well, it's certainly most secure, energy basin in the world. Think about that, the most secure energy basin in the world. That's pretty powerful, and we're sitting on top of it right here as we speak.

We also have such a special community when you look at the public-private partnerships that have occurred, certainly before PSP was here, but while we've been here, you find people collaborating that if you didn't know better, you would think there is no way those folks can work together, there's no way they're going to build those things and get all that done. Well, guess what, we are! And it's because people are saying, "Yes, we can. Let's get to yes. Let's not start off with no. Let's collaborate and do this together and do big transformative things that we could never do alone."

Thinking Big

I will tell you that we also believe that while our model may be imperfect, we think it's a pretty darn good model, and a good one for anybody to use globally or certainly at the national level. The magic of PSP is leadership, vision, and thinking big.

Part of our challenge at PSP is to keep thinking big, right? When it's easy to see the steps we need to get to something transformational, and but make no mistake, those are important. But the transformational ideas are the ones that are going to happen when you have collective buy-in, when you have the collaboration. So I challenge everybody to not stop with the small ideas, to think big. We want to make the Permian Basin a destination for families who want to come here for healthcare. They want to come because of the amazing

education, healthcare, and workforce opportunities here. Because when we're able to do that, watch out, watch out world!

We know many, many opportunities lie ahead. We also know there's going to be plenty more challenges, and believe you me, we've had several of them, but we've managed to overcome them because we weren't trying to go with them alone. We were working with our partners. Opportunities that lie ahead are as vast as the big West Texas sky that we all love so much. And through the power of partnership and collaboration, we will reach them.

Thank you very much.

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