

Insights

“ONE BIG BEAUTIFUL BILL ACT”: FIVE CHANGES OIL AND GAS BUSINESSES NEED TO KNOW ABOUT NOW

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The “One Big Beautiful Bill Act” (Public Law No: 119-21, the “Act”) marks a pivotal moment in U.S. energy legislation, signaling a decisive shift back toward traditional fossil fuel development.

While the Inflation Reduction Act of 2022 (“IRA”) ushered in a new era for clean energy, the Act walks back some of the IRA provisions and clears the way for renewed oil and gas production on federal lands and waters.

The implications of this are broad and immediate. Here are the five most important changes you need to know now.

1. THE ACT REVERSES KEY ROYALTY AND TAX PROVISIONS FROM THE IRA

A central feature of the new legislation is its reversal of the royalty rate increases applicable to onshore oil and gas leases on federal lands introduced by the IRA. In 2022, the IRA significantly raised federal royalty rates for those leases from 12.5% to 16.67%. The Act restores the royalty rates to their pre-IRA levels, making drilling on federal land and offshore areas more financially attractive.

The Act also makes favorable changes to the treatment of intangible drilling costs, which are the upfront expenses associated with developing wells, for taxpayers subject to the corporate alternative minimum tax..

2. THE ACT MANDATES NEW LEASE SALES ACROSS FEDERAL LANDS AND WATERS

Under the prior administration, federal lease sales for oil and gas development had slowed considerably. Offshore lease activity was nearly frozen, and onshore leases were limited by a combination of policy and litigation. The new law changes course decisively.

The Department of the Interior is now required to hold at least 30 offshore lease sales for the ocean basin on the gulf coast of America, including one by the end of this calendar year, followed by two per year thereafter. In Alaska, the Department of the Interior is required to hold at least 6 offshore lease sales for the Cook Inlet from 2026 through 2032, including at least one lease sale

per year in 2026, 2027 and 2028, and one lease sale by March 15 in each of 2030, 2031 and 2032. The Act also compels at least 5 lease sales in the National Petroleum Reserve in Alaska over the next ten years, including 1 by July 4, 2026.

Onshore, [nine western states](#), including those with significant federal land holdings, are slated for increased lease activity as well. This opens up considerable space for new exploration and production, reversing years of leasing inertia.

This should encourage speculative seismic surveys and early movers will likely be rewarded with low capital commitment leases.

3. THE ACT ACCELERATES ENVIRONMENTAL REVIEWS UNDER NEPA

Permitting delays have [long been a friction point](#) for oil and gas projects, particularly those on federal lands. Environmental reviews under the National Environmental Policy Act (“NEPA”) can stretch into years, delaying project timelines and discouraging capital investment.

The new law introduces a mechanism to [expedite NEPA reviews in exchange for a fee](#). While the underlying environmental protections remain intact, project sponsors can now pay for faster federal processing. Specifically, project sponsors can pay a fee to have an environmental assessment completed within 180 days after payment of the fee or a more detailed environmental impact statement completed within 1 year after the date of publication of the notice of intent to prepare the environmental impact statement. This provision introduces more predictability into permitting timelines, particularly for clients operating in complex regulatory environments.

4. THE ACT SIGNALS A REBALANCING OF CAPITAL TOWARD TRADITIONAL ENERGY, AT LEAST FOR NOW

The market response has already begun. After years of growing pressure on institutions to shift away from fossil fuels, the investment landscape appears to be adjusting. The major integrated oil companies remain dominant, but independents, many backed by private equity or bank finance, are also poised to benefit.

Capital, which had increasingly flowed toward renewables, is [now showing signs of returning to oil and gas](#). This shift may not represent a wholesale reversal, but rather a rebalancing. Businesses should expect more portfolio diversification among asset managers and utilities, combining traditional and low-carbon assets, rather than choosing one over the other.

Importantly, this policy shift also acknowledges the role of natural gas in stabilizing the grid. Gas-fired generation is still essential to meet baseload demand, support industrial loads, and power increasingly [energy-intensive infrastructure such as data centers](#).

5. THE ACT CREATES SHORT-TERM MOMENTUM, BUT LONG-TERM UNCERTAINTY REMAINS

Despite the immediate opportunities created by the Act, oil and gas companies should be cautious about assuming these policies will endure. The lifecycle of a lease from auction to production typically spans years. In that time, changes in administration or policy priorities can materially alter the feasibility of development.

The Act opens the door to much more development than we've seen in at least the last four years, but whether that development actually materializes is another question. Executive orders, shifting enforcement priorities and evolving court interpretations all add layers of uncertainty, particularly beyond the 2028 election cycle.

Although the Act requires lease sales and offers streamlined permitting, those gains can still be limited or delayed by future regulatory or legal action. Clients should approach new opportunities with a strategic, multi-cycle view, entering into contracts, obtaining permits, and completing environmental reviews expeditiously to ensure their projects are locked in.

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