

H.R. 2231, OFFSHORE ENERGY AND JOBS ACT PART 1 AND 2

LEGISLATIVE HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

Thursday, June 6, 2013 (Part 1)
Tuesday, June 11, 2013 (Part 2)

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**LEGISLATIVE HEARING ON H.R. 2231, TO
AMEND THE OUTER CONTINENTAL SHELF
LANDS ACT TO INCREASE ENERGY EXPLO-
RATION AND PRODUCTION ON THE OUTER
CONTINENTAL SHELF, PROVIDE FOR
EQUITABLE REVENUE SHARING FOR ALL
COASTAL STATES, IMPLEMENT THE REOR-
GANIZATION OF THE FUNCTIONS OF THE
FORMER MINERALS MANAGEMENT SERVICE
INTO DISTINCT AND SEPARATE AGENCIES,
AND FOR OTHER PURPOSES. “OFFSHORE
ENERGY AND JOBS ACT” PART 1**

**Thursday, June 6, 2013
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, D.C.**

The Subcommittee met, pursuant to notice, at 10:03 a.m., in room 1324, Longworth House Office Building, Hon. Doug Lamborn [Chairman of the Subcommittee] presiding.

Present: Representatives Lamborn, Wittman, Fleming, Duncan, Cramer, Holt, Horsford, Lowenthal, DeFazio, and Garcia.

Also Present: Representatives Hastings and Cassidy.

Mr. LAMBORN. The Committee will come to order. The Chairman notes the presence of a quorum, which, under Committee rule 3(e), is two Members. The Subcommittee on Energy and Mineral Resources is meeting today to hear testimony on a legislative hearing on H.R. 2231 by Representative Hastings of Washington to amend the Outer Continental Shelf Lands Act to increase energy exploration and production on the Outer Continental Shelf, provide for equitable revenue sharing for all Coastal States, implement the reorganization of the functions of the former Minerals Management Service into distinct and separate agencies, and for other purposes, called “The Offshore Energy and Jobs Act.”

Under Committee rule 4(f) opening statements are limited to the Chairman and Ranking Members of the Subcommittee. However, I ask unanimous consent to include any other Members’ opening statements on the hearing record, if submitted to the clerk by close of business today.

[No response.]

Mr. LAMBORN. Hearing no objection?

Dr. HOLT. No objection.

Mr. LAMBORN. So ordered.

I also ask unanimous consent that Representative Bill Cassidy of Louisiana be allowed to sit on the dais and participate in today's hearing.

[No response.]

Mr. LAMBORN. Hearing no objection, so ordered.

Dr. HOLT. No objection.

Mr. LAMBORN. I now recognize myself for 5 minutes. And, by the way, we are going to get right into this and see how much we can get done before the votes are called at an early hour, maybe the next even—

Dr. HOLT. Five minutes.

Mr. LAMBORN [continuing]. Few minutes, that is right.

STATEMENT OF THE HON. DOUG LAMBORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Mr. LAMBORN. Late last June, the Obama Administration had the tremendous opportunity for the first time in more than a generation to open new areas of the OCS for oil and gas drilling. Available to them for the first time since 1982 was the opportunity to access billions of barrels of oil that had been held closed under lock and key for decades.

Unfortunately, their proposed final 5-year offshore leasing plan for 2012 to 2017 to Congress closed off 85 percent of our OCS regions, allowed no new development in the OCS, and dashed the hopes and economic opportunity for the people of States like Virginia.

Dr. HOLT. I was off by 4 minutes.

Mr. LAMBORN. OK. The Obama plan put forward the lowest number of lease sales since the Carter Administration. The plan provided the American people of more of the same: drilling only in the Gulf of Mexico and areas off the coast of Alaska. However, the plan only dubbed these sales as potential sales, leaving some question as to whether or not the Administration would even follow through on that. And let's be honest. One thing this Administration knows how to do is cancel lease sales.

Nearly 1 year later we are here today to once again attempt to change the course upon which this Administration has set our Nation and our energy future. Last week, the Energy Information Administration issued their report for energy production on Federal lands for fiscal year 2012. I have a copy of it right here. It is no surprise that the sale of crude on Federal lands decreased 5 percent in 2012, with an 8 percent decrease in Federal off-shore volumes.

When we see oil and gas production declining in the Federal OCS, we must turn the corner to keep the United States competitive, especially as other countries begin to develop their own deep-water resources. The predominant way we can do this is by fostering energy development in new areas.

Chairman Hastings bill, the Offshore Energy and Jobs Act, will move our Nation forward to open up access to new areas to create thousands of new jobs and more American energy. While some revenue-sharing bills have sought to provide Coastal States with a revenue-sharing scheme unequal to the four Gulf States, the Chairman's bill provides parity to all Coastal States, allowing them a

share of the revenues equivalent to the 37.5 percent that the 4 Gulf States currently enjoy. The bill also includes several much-needed reforms that this Administration has requested, including organic legislation to codify the reorganization of the former Minerals Management Service.

While this Administration seems content with the status quo, the Chairman's legislation is about making the right choices now to foster new access and new energy in the future, not 5 years from now in drafting the next plan, not 10 years from now, but right now. We cannot keep ignoring the vast resources potential of the U.S. Outer Continental Shelf. The time to be bold is now, and I applaud the Chairman's legislation and look forward to hearing from our witnesses.

[The prepared statement of Mr. Lamborn follows:]

PREPARED STATEMENT OF THE HONORABLE DOUG LAMBORN, CHAIRMAN,
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

Late last June, the Obama Administration had the tremendous opportunity for the first time in more than a generation to open new areas of the OCS for oil and gas drilling. Available to them for the first time since 1982, was the opportunity to access billions of barrels of oil that had been held closed under lock and key for decades. Unfortunately, their proposed final 5 year offshore leasing plan for 2012–2017 to Congress closed off 85 percent of our OCS regions, allowed NO new development in the OCS and dashed the hopes and economic opportunity for the people of States like Virginia. The Obama plan put forward the lowest number of lease sales since the Carter Administration. The plan provided the American people with more of the same—drilling only in the Gulf of Mexico, and areas off the coast of Alaska, however the plan only dubbed these sales as “potential sales” . . . leaving some question as to whether or not the Administration would even follow through. And, let's be honest, one thing this Administration knows how to do is cancel lease sales.

Nearly 1 year later, we are here today to once again attempt to change the course upon which this Administration has set our Nation and our energy future. Last week, the Energy Information Administration issued their report for energy production on Federal lands for fiscal year 2012—it is no surprise that the sale of crude on Federal lands decreased 5 percent in 2012—with an 8 percent decrease in Federal OFFSHORE volumes.

When we see oil and gas production declining in the Federal OCS, we must turn the corner to keep the United States competitive, especially as other countries begin to develop their own deep water resources. The predominant way we can do this is by fostering energy development in new areas. Chairman Hastings bill, the Offshore Energy and Jobs Act, will move our Nation forward to open up access to new areas to thousands of new jobs and more American energy. While some revenue sharing bills have sought to provide Coastal States with a revenue sharing scheme unequal to the four Gulf States, the Chairman's bill provides parity to all Coastal States, allowing them a share of the revenues equivalent to the 37.5 percent that the four Gulf States currently enjoy. The bill also includes several much-needed reforms that this administration has requested, including organic legislation to codify the reorganization of the former Minerals Management Service.

While this Administration seems content with the status quo, the Chairman's legislation is about making the right choices now to foster new access and new energy in the future—not 5 years from now in drafting the next plan, not 10 years from now, but right now. We cannot keep ignoring the vast resources potential of the U.S. Outer Continental Shelf. The time to be bold is now, and I applaud the Chairman's legislation and look forward to hearing from our witnesses. Thank you.

Mr. LAMBORN. I now recognize the Ranking Member, the gentleman from New Jersey, Mr. Holt, for his opening statement.

**STATEMENT OF THE HON. RUSH HOLT, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NEW JERSEY**

Dr. HOLT. Thank you, Mr. Chairman. I thank the witnesses for coming today. We all apologize for the voting schedule, which will subject you to some inconvenience, I am afraid.

Americans have their own traditions when it comes to celebrating the arrival of summer: cookouts, vacation, swimming pools. Here, in the Natural Resources Committee, every summer the Republican Majority tries to move legislation to open our Nations' beaches and coastlines to oil drilling, even when there is work that should be done before that drilling commences.

The bill before us today was introduced only 2 days ago, would allow the oil companies to put rigs off of our beaches in California and off every State on the east coast, from Maine to South Carolina, including my home State of New Jersey, where, I will note, that even our Republican Governor has come out in opposition to it. That is not meant as a campaign endorsement of our Governor.

Mr. LAMBORN. But he will take it.

Dr. HOLT. He will take anything. It would require drilling in important fisheries and sensitive environments like Bristol Bay in Alaska and the Arctic Ocean, all without enacting key drilling safety reforms, following one of the greatest environmental disasters in our history.

Like most legislative proposals from the Majority, the bill was drafted without any attempt at bipartisan or bicameral cooperation. It is a mish-mash of provisions rejected by the other body in the last Congress and rejected in this Congress.

Chairman Hastings has stated that somehow the legislative process here in the House requires this rejection of collaboration. And at some point we are going to have to stop the convenient excuse of a legislative strategy designed to produce political slogans, rather than public laws. I hope we can get back to the expectation that we will come to completion in legislation, rather than using bills for a message.

This package ignores the reality of the spill in the gulf. It ignores the reality of our current domestic oil production. Our domestic oil production is at a 20-year high. Natural gas production is at an all-time high. We have more floating rigs than before the BP spill operating. My colleagues would like to make the claim that oil production is down on public lands. I have good news for them. The Energy Information Administration has a report on that very topic. And, according to this brand new report, we are producing more oil from public lands than at the end of the previous Administration. We are producing more oil from public lands offshore. We are producing 20 percent more oil from public lands onshore. And I would argue that, even with that, we need to show even more care, given our experience of recent years.

Today's hearing ignores these facts, continues this troubling pattern of hastily called hearings and recycled energy legislation.

The Minority was informed at virtually the same time as the public that this legislative hearing would occur. It is not a good way to do business. The Administration was invited to testify less than a week before the hearing on an un-introduced bill, which, of

course, prohibited the Interior Department from being able to send a witness to comment on something that they hadn't seen.

So, we, on the Minority, will be exercising our rights under rule XI of the rules of the House to request a second day of hearing on this bill, so that we can hear from the Administration on this proposal, and hear from other witnesses who can provide the Committee with considered testimony and factual information about the current state of our domestic energy production and the needs for action to enact safe drilling reforms.

And so, let me present to the Chairman this request under rule XI, and say I look forward to working with him in a bipartisan way, and all the members of the Committee in a bipartisan way, to have safe, assured energy production. Thank you.

[The prepared statement of Dr. Holt follows:]

PREPARED STATEMENT OF THE HONORABLE RUSH HOLT, RANKING MEMBER,
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

Thank you.

Americans have their own traditions when it comes to celebrating the arrival of summer; some have cookouts, some take vacation and some head to the nearest swimming pool.

And here in the Natural Resources Committee, every summer the Republican Majority tries to move legislation to open our Nation's beaches and coastlines to unsafe oil drilling.

The bill before us today, which was only introduced 2 days ago, would allow Big Oil to put drilling rigs off our beaches in California and every State on the east coast from Maine to South Carolina, including off the coast of my home State of New Jersey—a plan that even our Republican Governor has come out in opposition to.

It would require drilling in important fisheries and sensitive environments like Bristol Bay in Alaska and the Arctic Ocean. All without enacting key drilling safety reforms following the BP *Deepwater Horizon* disaster.

And like most legislative proposals from the Majority, this bill was drafted without any attempt at bipartisan or bicameral cooperation; the bill is a mishmash of provisions that were rejected by the Senate last Congress and will be rejected again in this Congress.

Chairman Hastings has stated that somehow the legislative process here in the House requires this rejection of collaboration or cooperation with the Minority or the other body. But at some point, that becomes a convenient excuse for a legislative strategy *designed* to produce political slogans rather than public laws.

Not only does this recycled Republican package ignore the reality of the BP spill, it also ignores the reality of our current, domestic energy production. Our domestic oil production is at a 20-year high and natural gas production is at an all-time high. I will repeat that: our domestic oil production is at a 20-year high and natural gas production is at an all-time high.

And for my colleagues on the other side who like to make the inaccurate claim that oil production is down on public lands, I have some good news. The Energy Information Administration has just come out with a new report on that very topic.

According to that brand new report, we are producing *more* oil from public lands than during the last year of the Bush Administration. We are producing *more* oil from public lands offshore. We are producing nearly *20 percent more* oil from public lands onshore. And we are producing *200 percent more* oil from Indian lands.

That is thanks to the Interior Department and President Obama.

Today's hearing ignores these facts and continues this troubling pattern of hastily-called hearings on recycled energy legislation, drafted in secret and dead on arrival. The lack of sufficient notice and time to review proposed legislation prevents witnesses, including those representing the Administration, from being able to prepare testimony in a timely fashion or participate in hearings. As a result, too many of the Subcommittee's meetings consist largely of industry-friendly witnesses repeating well-worn, and long-discredited, talking points.

The Minority was informed at virtually the same time as the public that this legislative hearing would occur. The Administration was invited to testify less than a week before today's hearing on an un-introduced bill, which prohibited the Interior Department from being able to send a witness.

Therefore, the Minority will be exercising our rights under rule XI of the rules of the House to request a second day of hearings on this bill so that we can hear from the Administration on this proposal and from other witnesses who can provide the Members of this Committee with factual information about the current state of our domestic energy production and the need for Congress to enact drilling safety reforms.

I yield back the balance of my time.

Mr. LAMBORN. OK, thank you. And also, we will now hear from the Chairman and Ranking Member of the Full Committee, we always do so when they are here.

Chairman Hastings of Washington.

STATEMENT OF THE HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. HASTINGS. Thank you very much, Mr. Chairman, and thanks for the courtesy of allowing me to be here.

Mr. Chairman, it is a fact. The United States is producing more oil and natural gas than ever before. On State and private lands throughout our country, increased energy production is creating new, good-paying jobs. It is revitalizing and strengthening our economy, and making the United States a new player in the world energy market.

Some may look at this increase and think that means we don't need further production on our Federal lands and waters. This viewpoint is not only wrong, but it is incredibly short-sighted. In reality, the increase in production on State and private lands only further highlights the missed opportunities on Federal lands. Jobs, revenue, and economic security are all being forfeited because this Administration continues to block energy production on a majority of our offshore areas.

Nearly 5 years ago, Congress and President Bush took action to lift the drilling moratorium and open new areas for drilling. Unfortunately, when President Obama assumed office he tossed out that plan to develop these areas. He canceled lease sales, and then imposed a new plan that keeps 85 percent of our offshore areas off limits. President Obama's current plan doesn't open one new area for leasing and energy production. That is why it is not surprising that the House, in a bipartisan vote last Congress, soundly rejected the President's offshore drilling plan.

The bill before us today, H.R. 2231, the Offshore Energy and Jobs Act, once again clearly states that the President's plan is unacceptable and it requires him to put a new offshore leasing plan in place by 2015. In contrast to the President's no-new-energy plan, this is a drill-smart plan that focuses on energy production in specific areas containing the greatest-known oil and natural gas resources. What a novel idea. It would safely open up new areas that were previously under moratoria, such as the Mid-Atlantic, the Southern Pacific, and the Arctic.

The bill also will require the Secretary to conduct specific oil and natural gas lease sales, including offshore Virginia, which was delayed and then canceled by the Administration. This lease sale was originally scheduled to take place in 2011, 2 years ago. But President Obama has ensured that Virginians won't be able to produce energy or enjoy economic benefits while he is in office, since the

earliest this lease sale could happen is 2017, under his plan, unless Congress takes action.

The bill also establishes fair and equitable revenue sharing for Coastal States. As was pointed out in Committee hearings last Congress, it is important to recognize that revenue-sharing will increase American energy production by creating new incentives for opening new offshore areas for drilling. More energy production will mean more jobs, a stronger economy, and, obviously, more revenue to the Government.

Finally, the bill would reorganize the Interior Department's offshore energy agencies. While the Department has already moved forward in this process, there has been bipartisan recognition, including from this Administration, of a need for organic legislation to codify these changes into law. Reforms must increase accountability, improve efficiency, promote safety, and ensure the highest ethical standards of employees.

Much like the Administration has also done, this bill would officially abolish the Mineral Management Service, or MMS, and create three separate agencies, each with very clearly defined missions. It would also establish an Under Secretary of Energy, Land, and Minerals, which would be appointed by the President in order to elevate the role of American energy production within the Department.

The bill also includes a number of reforms to promote safety and high ethical standards.

The majority of the proposals in this bill passed the House in the last Congress, and it did so with bipartisan support. Our Nation deserves better than the President's current offshore energy plan. While State and private lands in the United States are undergoing an energy revolution, there is no good, credible reason why our offshore areas should be relegated to the sidelines. Our Federal lands and waters can be part of America's great energy story, and help contribute to job creation and economic growth, if we only remove the government barriers that keep them off-limits.

Once again, Mr. Chairman, thank you for the courtesy, and I yield back my time.

[The prepared statement of Mr. Hastings follows:]

PREPARED STATEMENT OF THE HONORABLE DOC HASTINGS, CHAIRMAN, COMMITTEE
ON NATURAL RESOURCES

Fact: The United States is producing more oil and natural gas than ever before. On State and private lands throughout the country, increased energy production is creating new, good-paying jobs; revitalizing and strengthening our economy; and making the United States a new player in the world energy market.

Some may look at this increase and think that means we don't need any further production on our Federal lands and waters. This viewpoint is not only wrong, but incredibly shortsighted. In reality, the increase in production on State and private lands only further highlights the missed opportunities on Federal lands. Jobs, revenue and economic security are all being forfeited because the Obama Administration continues to block energy production in the majority of our offshore areas.

Nearly 5 years ago, Congress and President Bush took action to lift the drilling moratorium and open new areas for drilling. Unfortunately, when President Obama assumed office, he tossed out a plan to develop these areas, canceled lease sales and then imposed a new plan that keeps 85 percent of our offshore areas off-limits. President Obama's current plan doesn't open one new area for leasing and energy production. That's why it's not surprising that the House, in a bipartisan vote last Congress, soundly rejected the President's offshore drilling plan.

The bill before us today, H.R. 2231, the Offshore Energy and Jobs Act, once again clearly states that the President's plan is unacceptable and it requires him to put a new offshore leasing plan in place by 2015. In contrast to the President's no-new energy plan, this is a drill-smart plan that focuses energy production in specific areas containing the greatest known oil and natural gas resources. It would safely open up new areas that were previously under moratoria—such as the Mid-Atlantic, Southern Pacific and Arctic. This would create over a million new American jobs and generate hundreds of millions of dollars in new revenue to the Federal treasury.

The bill would also require the Secretary to conduct specific oil and natural gas leases sales, including offshore Virginia which was delayed and then canceled by this Administration. This lease sale was originally scheduled to take place in 2011. But President Obama has ensured Virginians won't be able to produce energy, or enjoy the economic benefits, while he's in office since the earliest this lease sale could happen is 2017, unless Congress takes action.

The bill also establishes fair and equitable revenue sharing for Coastal States. As was pointed out in Committee hearings last Congress, it's important to recognize that revenue sharing will increase American energy production by creating new incentives for opening new offshore areas to drilling. More energy production will mean more jobs, a stronger economy, and more revenue.

Finally, the bill would reorganize the Interior Department's offshore energy agencies. While the Department has already moved forward in this process, there has been bipartisan recognition, including from the Administration, of the need for organic legislation to codify these changes into law. Reforms must increase accountability, improve efficiency, promote safety and ensure the highest ethical standards of employees.

Much like the Administration has also done, this bill would officially abolish the Minerals Management Service (MMS) and create three separate agencies—each with very clearly defined missions. It would also establish an Under Secretary of Energy, Land and Minerals, which would be appointed by the President, in order to elevate the role of American Energy production within the Department. The bill also includes a number of reforms to promote safety and high ethical standards.

The majority of the proposals in this bill passed the House last Congress with strong bipartisan support.

Our Nation deserves better than the President's current offshore energy plan. While State and private lands in the United States are undergoing an energy revolution—there is no good, credible reason why our offshore areas should be regulated to the sidelines. Our Federal lands and waters can be part of America's great energy story—and help contribute to job creation and economic growth—if we can only remove the government barriers that keep them off-limits.

Mr. LAMBORN. Thank you for that statement, Mr. Chairman. We now have to break for votes. We will reconvene immediately after the votes. It will be the only interruption of the hearing today. I am going to estimate it is going to be about 45 minutes or so.

The Subcommittee will be in recess.

[Recess.]

Mr. LAMBORN. The Committee will reconvene. We shouldn't have any more interruptions, so we can get to the next order of business, hearing from a distinguished panel of witnesses.

The panel consists of Mr. John Felmy, Chief Economist for the American Petroleum Institute; Mr. Richie Miller, President of Spectrum Geo, Inc.; Mr. Christopher Guith, Vice President for Policy, the Policy Institute for 21st Century Energy of the U.S. Chamber of Commerce; and a guest of the Minority, Mr. Michael Conathan, Director of Ocean Policy for the Center for American Progress Action Fund.

So, I want to thank you all for being here. Like all of our witnesses, your written testimony will appear in full in the record. So I would ask that you keep your oral statements to 5 minutes. The microphones are not automatic, so you have to push the button. When you do push the button, it is a green light at first. Then,

after 4 minutes, it becomes yellow, and after 5 minutes it turns red.

So, we would launch right in. I think Members will be coming and going. It is a little hard to predict, because some are heading to the airport, frankly. But I am happy to have you all as guests, and I look forward to your testimony.

And, Mr. Felmy, you may begin.

**STATEMENT OF JOHN FELMY, PH.D, CHIEF ECONOMIST,
AMERICAN PETROLEUM INSTITUTE**

Mr. FELMY. Chairman Lamborn, Ranking Member Holt, good morning. I am John Felmy, Chief Economist at the American Petroleum Institute. API represents over 500 member companies involved in all aspects of oil and natural gas industry. Thank you for the opportunity to testify today.

API is encouraged that Congress is discussing ways to increase offshore oil and natural gas development in the United States. Putting these American resources to work will enhance our energy security and transform the United States into a dominant job-creator and energy powerhouse. It would provide a major boost to domestic energy production, State and local economies, and Government revenue.

The U.S. Outer Continental Shelf is estimated to contain vast, undiscovered oil and natural gas resources, much of it locked away in federally controlled offshore areas that are off limits to energy exploration and development. No other developed Nation in the world keeps so much of its offshore energy resources out of reach.

The Bureau of Ocean Exploration and Management currently estimates that 88.6 billion barrels of oil and 398.4 trillion cubic feet of natural gas have yet to be discovered on our Outer Continental Shelf. While these estimates are large, they are also incredibly out of date, because a large share of the estimates are based on seismic surveys that were conducted 30 years ago.

Consider this. In 1987 the Minerals Management Service estimated only 9.57 billion barrels of oil in the Gulf of Mexico. Thanks to advances in collecting and processing seismic surveying data and continued exploration, that estimate rose in 2011 to 48.4 billion barrels of oil, a 400 percent increase.

Under current Administration policy, collecting much-needed seismic data in Atlantic OCS may not happen. Why? Because without a lease sale scheduled in the Atlantic for the foreseeable future, there is very little prospect for the companies that collect these data to sell it. It is important to send positive signals on leasing in order to spur companies to invest in collecting new data, so that they can be assured that there will be a market for these data.

Moving forward with leasing in the Atlantic, as proposed in this legislation, would be a step in the right direction. If offshore energy production were extended to new areas, it could generate a bounty of job creation and new revenues to the Government, while improving America's energy security.

Earlier this year, a single lease sale in the Gulf of Mexico generated \$1.2 billion in revenue for the Federal Government. As wells were drilled and the leases begin to produce, the revenue impact

will only grow, along with the prospects for employment in the region and around the country.

Especially along the Atlantic coast, developing energy resources safely and responsibly could bring new high-paying jobs to States where our industry has not historically had a major offshore presence. And if Congress enacts revenue-sharing legislation, offshore energy development could also generate substantial revenue for State and Federal Governments.

According to a recent study by Wood MacKenzie, policies that promote domestic development of oil and natural gas resources, including access to the vast Federal offshore areas that have been off limits, could create more than 1 million new jobs and generate \$127 billion in Government revenue in under a decade. And these jobs are a great potential for communities not traditionally associated with oil and natural gas.

According to a study to IHS Global Insight, 166,000 of the new oil and natural gas jobs created by 2020 could be expected to be held by African American and Latino workers.

Delivering this energy to the American people is safer than ever, as a result of industry's leadership and continuous investments in safety, as evident in API's robust slate of offshore standards and the work being done by the Center for Offshore Safety.

There are three critical aspects to this network of safety for offshore operations: one, prevention accomplished through development of robust industry standards, and through the promotion of robust safety and environmental management systems, which is embodied in the Center for Offshore Safety; two, new, innovative well containment and intervention capabilities; and, three, improved planning and resources for oil spill response.

We should also recognize that the significant changes in the regulatory system to further enhance and codify equipment technologies, operational standards, and management systems in each of these three areas.

There is broad, bipartisan and growing support among policy-makers at the State and Federal level for unlocking the energy opportunity off our coast. We urge policymakers at every level to work together to take advantage of the valuable opportunity presented by expanding access to offshore energy production. The benefits for American families and businesses are too great to let this opportunity slip away. Thank you.

[The prepared statement of Mr. Felmy follows:]

PREPARED STATEMENT OF JOHN FELMY, PH.D., CHIEF ECONOMIST, AMERICAN PETROLEUM INSTITUTE

Good morning. I am John Felmy, Chief Economist at the American Petroleum Institute. API represents over 500 member companies involved in all aspects of the oil and natural gas industry.

Thank you for the opportunity to testify today. API is encouraged that Congress is discussing ways to increase offshore oil and natural gas development in the United States. Putting these American resources to work will enhance our energy security and transform the United States into a dominant job creator and energy powerhouse. It would provide a major boost to domestic energy production, State and local economies, and Government revenue.

Offshore oil and natural gas production is a long-term effort that requires long-term planning. Before the first well can be drilled and any of these benefits realized, the Federal Government must schedule lease sales and permit modern seismic surveys, which are essential for locating undersea energy resources.

The U.S. Outer Continental Shelf is estimated to contain vast undiscovered oil and natural gas resources, much of it locked away in the 87 percent of federally-controlled offshore areas that are off-limits to energy exploration and development. No other developed nation in the world keeps so much of its offshore energy resources out of reach.

The Bureau of Ocean Exploration and Management currently estimates that 88.6 billion barrels of oil and 398.4 trillion cubic feet of gas have yet to be discovered on our Outer Continental Shelf. While these estimates are large, they are also incredibly out-of-date because a large share of the estimates are based on seismic surveys that were conducted 30 years ago.

Today, seismic surveys using modern technology produce sub-surface images which are much clearer than those from decades ago and allow for a better understanding of the potential resources available.

Consider this. In 1987, the Minerals Management Service estimated only 9.57 billion barrels of oil in the Gulf of Mexico. Thanks to advances in collecting and processing seismic surveying data and continued exploration, that estimate rose in 2011 to 48.4 billion barrels of oil—a 400 percent increase.

It is only through exploratory drilling that we can find potential domestic resources, but the use of seismic surveys is critical for determining the best prospects for drilling. Seismic surveys have been used safely for decades—with little impact on marine life—to assess the location and size of potential oil and natural gas deposits, which often lay several miles beneath the ocean floor.

Under current administration policy, collecting much needed seismic data in the Atlantic OCS may not happen. Why? Because without a lease sale scheduled in the Atlantic for the foreseeable future, there is very little prospect for the companies that collect these data to sell it. It is important to send positive signals on leasing in order to spur companies to invest in collecting new data, so that they can be assured that there will be a market for these data. Moving forward with leasing in the Atlantic as proposed in this legislation would be a step in the right direction.

If offshore energy production were extended to new areas, it could generate a bounty of job creation and new revenues to the Government while improving America's energy security. Earlier this year, a single lease sale in the Gulf of Mexico generated \$1.2 billion in revenue for the Federal Government. As wells are drilled and the leases begin to produce, the revenue impact will only grow, along with the prospects for employment in the region and around the country.

Especially along the Atlantic coast, developing energy resources safely and responsibly could bring new well-paying jobs to States where our industry has not historically had a major offshore presence. And if Congress enacts revenue sharing legislation, offshore energy development could also generate substantial revenue for the State and Federal Governments. According to a study by Wood Mackenzie, policies that promote domestic development of oil and natural gas resources—including access to vast Federal offshore areas that have been kept off-limits—could create more than 1 million new jobs and generate \$127 billion in Government revenue in under a decade. And these jobs are a great potential for communities not traditionally associated with oil and natural gas production. According to a study by IHS Global Insight, 166,000 of the new oil and natural gas jobs created by 2020 could be expected to be held by African American and Latino workers.

We can also break out the numbers specifically for the eastern Gulf of Mexico and the Atlantic and Pacific Outer Continental Shelf. If these areas were opened for energy development, the United States could see an increase of 4.2 million barrels of oil equivalent per day in domestic oil and natural gas production in less than 20 years. These activities could support 420,000 total jobs, about 30 percent being direct jobs in the industry. And the cumulative government revenue over that period could total \$313 billion, with the annual take for the Government at \$44 billion and growing at the end of the period.

Delivering this energy to the American people is safer than ever as a result of industry's leadership and continuous investments in safety, as evident in API's robust slate of offshore standards and the work being done by the Center for Offshore Safety. There are 3 critical aspects to this network of safety for offshore operations:

- (1) Prevention, accomplished through the development of robust industry standards, and through the promotion of robust safety and environmental management systems, which is embodied in the Center for Offshore Safety;
- (2) New innovative well containment and intervention capabilities; and
- (3) Improved planning and resources for oil spill response.

We should also recognize the significant changes in the regulatory system to further enhance and codify equipment technologies, operational standards, and management systems in each of these three areas.

There is broad, bipartisan and growing support among policymakers at the State and Federal level for unlocking the energy opportunity off our coasts. We urge policymakers at every level to work together to take advantage of the valuable opportunity presented by expanding access to offshore energy production. The benefits for American families and businesses are too great to let this opportunity slip away.

Dr. WITTMAN [presiding]. Thank you very much. We will go to the next witness.

STATEMENT OF RICHIE MILLER, PRESIDENT, SPECTRUM GEO INC.

Mr. MILLER. Chairman Lamborn, Ranking Member Holt, members of the Subcommittee, good morning. I appreciate the opportunity to be here today to discuss the Offshore Energy and Jobs Act, and the need for America to access offshore oil and gas resources. I am President of Spectrum Geo Inc., a company engaged in acquiring non-exclusive seismic data, processing it, and licensing these products to the oil and gas companies. We are pleased that Congress is considering legislation like the Offshore Energy and Jobs Act to make new areas of the Federal OCS available for oil and gas exploration, and we encourage its passage.

The United States has safely been exploring and developing its offshore oil and gas resources since 1947. While the deepwater plays in the western and central Gulf of Mexico continue to be productive, the United States needs to begin exploring new areas in order to continue to fuel our vital economy, and ensure we have energy security. It takes years for oil and gas exploration to result in new production. Seismic data acquired today might result in actual energy to market in 10 to 20 years. This is due to the many steps that need to take place.

Modern seismic imaging provides the lens through which scientists can better understand what lies beneath the surface of the earth. It is an amazing useful scientific tool that allows us to accurately image the earth's crust down to depths in excess of 40,000 feet. Over the past few decades, advances in modern seismic imaging and interpretation have been tremendous. Today, seismic acquisition and processing are able to produce subsurface images that are much clearer and more accurate than those from decades ago, or even 5 years ago.

Modern seismic imaging reduces risk, both economic and environmental. It provides the early understanding of the geological structures that have the potential to produce oil and gas, their location, and the size of the resources. It increases the likelihood that exploratory wells will successfully tap hydrocarbons, and helps us avoid drilling for oil and gas in areas where we won't likely be successful. It also reduces the number of wells that need to be drilled in a given area, thus reducing the overall footprint for exploration.

To better understand the resource potential in other areas like the Atlantic OCS, we need to acquire modern seismic data. The last surveys of the Atlantic OCS were conducted over 30 years ago. Older, low-tech data that exists does not image the medium-to-deep plays, and does not image the basin's architecture, which is imperative to understanding the Atlantic margin play.

Existing resource estimates for the Atlantic OCS are 3.3 billion barrels of oil and over 31 trillion cubic feet of natural gas. While

these are impressive estimates, it is widely believed that modern seismic imaging, using the latest technology, will show much greater resources. It will also be able to pinpoint where the most abundant resources are likely located.

There are reasons why geologists and geophysicists believe that the Atlantic OCS could have much more abundant oil and gas resources than we previously believed. Data from around the Atlantic margin indicate energy productive geologic structures likely exist along the east coast.

BOEM is in the process of producing a programmatic environmental impact statement for geophysical activity on the Atlantic OCS. We are hopeful that the BOEM will push for a timely issuance of a positive record of decision, so that we can begin to understand what kind of resource may exist in the Atlantic.

The best decisions are generally made when we have the facts and the best data. This is true of our Nation's oil and gas resources. It only makes sense for us to understand what the resource base and what resource value is. By pursuing seismic data in the southern and Mid-Atlantic, we can understand what resources exist in that area, as well. Americans deserve public policy decisions that are made based on the best information possible. Modern seismic surveys provide that information.

Let's allow science to help us understand what resources we have. We owe it to ourselves. Thank you for the opportunity to testify before this Subcommittee.

[The prepared statement of Mr. Miller follows:]

PREPARED STATEMENT OF RICHIE MILLER, PRESIDENT, SPECTRUM GEO INC.

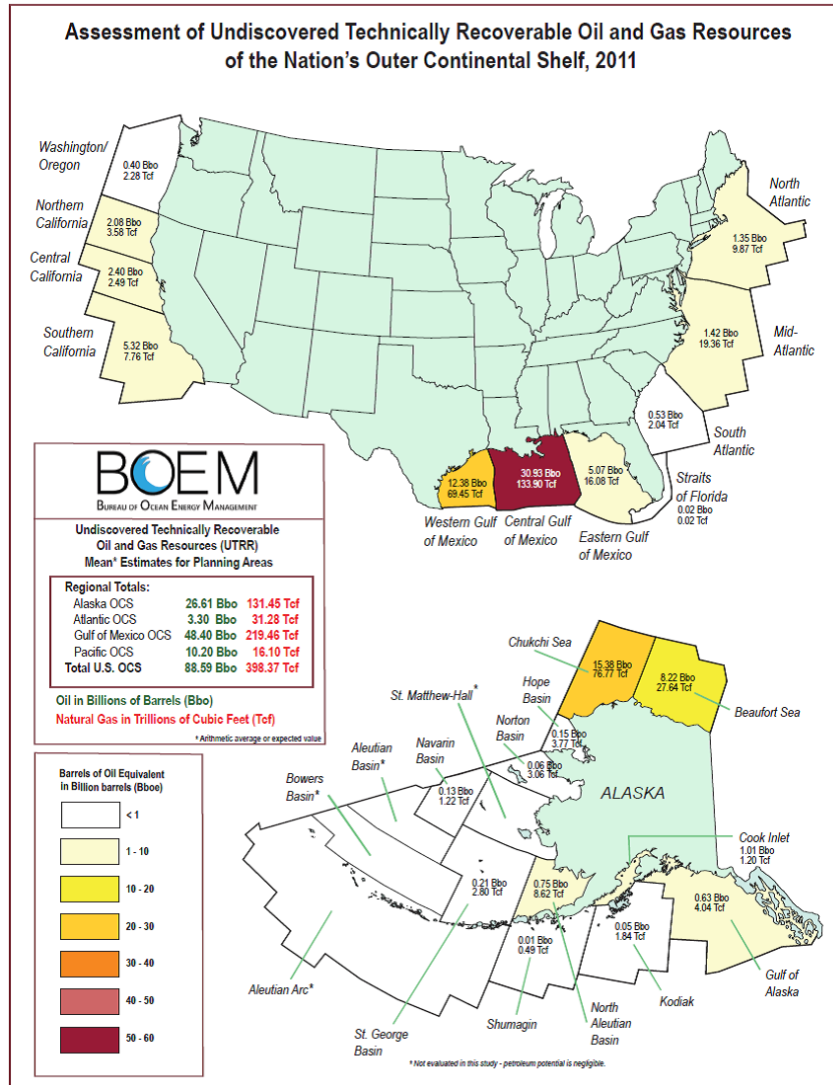
Chairman Lamborn, Ranking Member Holt, Members of the Committee: Good morning. I appreciate the opportunity to be here today to discuss the Offshore Energy and Jobs Act and the need for America to access offshore oil and gas resources.

I am President of Spectrum Geo Inc., a company engaged in acquiring non-exclusive seismic data, processing it and licensing these products to oil and gas companies. The Spectrum Group is built on the company's reputation as a reliable seismic service provider and serves a global clientele. The Group provides innovative non-exclusive Services and high quality seismic imaging from regional offices in the United States, the UK, Norway, Singapore and Australia. Spectrum is also a member of the International Association of Geophysical Contractors, a global trade association representing our industry.

We are pleased that Congress is considering legislation, like the Offshore Energy and Jobs Act, to make new areas of the Federal OCS available for oil and gas exploration, and we encourage its passage. The United States has remained successful in producing its oil and gas resources because we have historically been willing to explore in new areas. And the United States has safely been exploring and developing its offshore oil and gas resources since 1947. For decades, the U.S. Gulf of Mexico has provided significant oil and natural gas resources for American consumers, currently supplying approximately 27 percent of domestic oil production and 15 percent of domestic natural gas production. The Gulf of Mexico, one of the world's premier petroleum provinces, has proved to be resilient. Over the years producers have explored and produced at greater depths and in plays far below the ocean floor to find some of the world's most remote and abundant hydrocarbons.

While the deep water plays in the western and central Gulf of Mexico continue to be productive, the United States needs to begin exploring new areas in order to continue to fuel our vital economy and ensure we have energy security. In 2011, the U.S. Bureau of Ocean Energy Management (BOEM) estimated that the Federal OCS is home to a mean of 88.6 billion barrels of undiscovered technically recover-

able reserves (UTRR) of oil and 398.4 trillion cubic feet of UTRR of natural gas.¹ As the BOEM image below demonstrates, significant reserves of oil and natural gas are believed to exist under areas outside the western and central Gulf of Mexico.



Source: http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Resource_Evaluation/Resource_Assessment/2011_National_Assessment_Map.pdf

Even though nearly half of the estimated OCS resources exist outside the western and central Gulf of Mexico, abundant resources in the Atlantic, Pacific, Alaska, and eastern Gulf of Mexico are not available for new leasing.

¹U.S. Department of the Interior, Bureau of Ocean Energy Management, "Resource Evaluation Program." <http://www.boem.gov/Oil-and-Gas-Energy-Program/Resource-Evaluation/Resource-Assessment/2011-RA-Assessments.aspx>.

It takes years for oil and gas exploration to result in new production. Seismic data acquired today might result in actual energy to market in 10 to 20 years. This is due to the many steps that need to take place. Modern seismic imaging provides the lens through which scientists can better understand what lies beneath the surface of the Earth. It is an amazingly useful scientific tool that allows us to accurately image the earth's crust down to depths in excess of 40,000 feet below the mud line (more than 8 miles down). Over the past few decades, advances in modern seismic imaging and interpretation have been tremendous. Today, seismic surveys that use modern data acquisition techniques and then process that data by applying the massive computing power that is now affordable are able to produce sub-surface images which are much clearer and more accurate than those from decades ago, or even 5 years ago. This ability serves many needs beyond oil and gas exploration. For the energy industry, modern seismic imaging reduces risk—both economic risk of exploration and production, but also the associated safety and environmental risks. It provides the early understanding of the geological structures that have the potential to produce oil and gas, where those hydrocarbons are trapped and how much likely exists. Modern seismic imaging provides greater certainty for explorers. It increases the likelihood that exploratory wells will successfully tap hydrocarbons and helps us avoid drilling for oil and gas in areas where we won't likely be successful. It also reduces the number of wells that need to be drilled in a given area, thus reducing the overall footprint for exploration.

As mentioned earlier, our company is engaged in acquiring non-exclusive seismic data, processing it and licensing these products to oil and gas companies. That means we do the work (and take the financial risks) needed to deliver oil and gas companies the ability to use modern seismic imaging to explore an area new to them (or new to the entire industry). They also use our products to develop reserves they discover in the process. We repeatedly license the seismic data to oil and gas companies for a fee, but retain the underlying ownership. By acquiring the data once and making it available to any oil and gas company, our industry avoids duplicating these surveys, and thus avoids unnecessary duplication of temporary disturbance caused by our surveys. We also provide the same products to BOEM for their use in evaluating the OCS resource base, in ensuring they receive fair market value when they lease OCS lands, and in making the many conservation decisions required of them as they administer their obligations under the OCS Lands Act.

Modern seismic imaging can dramatically improve our understanding of how much resources exist. Exploration and development activities generally lead to increased resource estimates. For example, in 1987 the Minerals Management Service estimated only 9.57 billion barrels of oil in the Gulf of Mexico. With more recent seismic data acquisition and additional exploratory drilling, that estimate rose in 2011 to 48.4 billion barrels of oil—a 500 percent increase!

To better understand how much resources exist in other areas like the Atlantic Outer Continental Shelf (OCS) we need to obtain modern seismic data. The last surveys of the Atlantic OCS were conducted 30 years ago. Due to technological advances, existing estimates of the available energy are out-of-date.

Existing resource estimates for the Atlantic OCS are 3.3 billion barrels of oil and 31.3 trillion cubic feet of natural gas. While these are impressive estimates, it is widely believed that modern seismic imaging using the latest technology will show much greater resources. It will also be able to pinpoint where the most abundant resources are likely located.

There are reasons why geologists and geophysicists believe that the Atlantic OCS could have much more abundant oil and gas resources than we previously believed. For one, the Atlantic Margin is proving to be quite productive in hydrocarbon production in areas like West Africa, Brazil and Nova Scotia.

Between 200 to 300 million years ago there was one supercontinent that we refer to as Pangea. It began to break apart 200 million years ago. At the time the U.S. and Canadian east coast, West Africa and Brazil were connected as a single land mass. The energy productive geologic structures in West Africa and Brazil have been correlated and determined to be the same age and structure with those that exist along the U.S. east coast. Further investigation will likely show that they are similar in their hydrocarbon-bearing geologic structures.

Pangea



Understanding the Atlantic Resource

The best decisions are generally made when we have the facts and the best data. This is true of our Nation's oil and gas resources. It only makes sense for us to understand what the resource base and resource value is.

For the Atlantic OCS, we need to update our understanding of the resource, and modern seismic imaging is needed to make this evaluation. Older, low tech data that exists does not image medium to deep plays, and does not image the basin's architecture, which is imperative to understanding the Atlantic Margin play. We now have an array of new tools in the toolbox, reflection, gravity, magnetics, electromagnetic, which can better help us understand the potential resource. By utilizing these tools and by applying increasingly accurate and effective interpretation practices, we can be better locate and dissect prospective areas, identify the types of plays we are locating, and help us evaluate the potential resource base. All of these factors demonstrate how modern seismic imaging creates a better understanding of what lies below the surface of the Earth before a single well is drilled. It is the least intrusive and most cost-effective way to understand where recoverable oil and gas resources likely exist in the Southern- and Mid-Atlantic.

Because acquiring and interpreting modern seismic data provides a greater understanding of where oil and gas reserves exist and how much are likely in place, having modern seismic data prior to a lease sale will allow industry to make more informed bids. This will likely result in more bids and higher bids since industry is reluctant to bid on blocks where there is little or no seismic data. Modern seismic imaging consistently brings more players to bid on offshore leases, creating more competition and driving the cost of leases higher. This is a phenomenon we are see-

ing globally as occurred recently in Uruguay with the government receiving \$1.2 billion lease bids and in Brazil where with \$2.0 billion in lease bids were received. Lebanon, Cyprus and Somalia are holding lease sales later this year that are expected to bring in significant revenues for the host countries. Oil and gas producers have the capital to explore frontier areas and are always looking for new opportunities.

As mentioned, having modern seismic data available also creates greater efficiency for the Government as it allows the BOEM to better evaluate the blocks it is offering and the bids that it receives. With higher quality data about the resource, BOEM will have a great understanding of the resource value. This will ensure that the taxpayer get a greater return from Federal OCS acreage.

Ongoing Programmatic Environmental Impact Statement

BOEM is in the process of producing a Programmatic Environmental Impact Statement (PEIS) to evaluate “potential significant environmental impacts of multiple geological and geophysical activities on the Atlantic Outer Continental Shelf”. A draft PEIS was published in the Federal Register on March 30, 2012 and underwent a 94-day comment period.

		Working Schedule Atlantic G&G Programmatic Environmental Impact Statement Project																																						
ID	Task Name	Start	Finish	Duration	2011												2012												2013											
					Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Prepare Preliminary Draft EIS	1/17/2011	11/7/2011	211d	[Solid Blue Bar]																																			
2	Review and Publish Draft EIS	1/19/2011	7/2/2012	169d													[Solid Blue Bar]																							
3	Consultations	5/25/2012	5/28/2013	293d													[Solid Blue Bar]																							
4	Prepare Final EIS	7/3/2012	3/4/2013	175d													[Solid Blue Bar]																							
5	Review and Publish Final EIS	3/5/2013	9/17/2013	141d																									[Solid Blue Bar]											
6	Prepare and Publish Federal Register Announcements	4/23/2013	10/10/2013	127d																									[Solid Blue Bar]											
7	Publish Record of Decision	10/25/2013	10/25/2013	0d																									[Solid Blue Bar]											

A record of decision (ROD) was initially posted to be released in October 2013, however, we now understand that the ROD is being pushed to March 2014. We are concerned about potential delays in the issuance of an ROD as these delays create difficulties in scheduling for permits and vessels. New procedures and processes will likely be introduced after ROD which will inevitably result in more delays in the permitting process. We hope that BOEM will issue these procedures and processes as they are determined so that industry can start working on permit applications. We are hopeful that BOEM will push for a timely issuance of a positive record of decision so that we can begin to understand what kind of resource may exist in the Atlantic.

Conclusion

Our offshore oil and gas resources can provide us with enormous energy resources if we choose to pursue them. Recent history shows us that the more we explore the more we find. In the decades we have developed the Gulf of Mexico we have moved from the shelf, to the deep water, to the deep water Oligocene play, to the shelf deep gas play. The basin keeps giving as we learn more and seismic imaging plays a big part of this success. The same evolution is occurring in other regions like the North Sea, Middle East and even here at home. A mere 5 years ago, the Eagle Ford play in South Texas was virtually unknown. Now it is one of the world’s most prolific plays and we are targeting two more horizons in the play and resource estimates continue to rise. This would have never happened if industry had been denied the use of modern seismic imaging tools.

By pursuing seismic data in the Southern- and Mid-Atlantic we can understand what resources exist in that area as well. If given the chance, our industry can safely and efficiently determine if and where hydrocarbon resources exist in the Atlantic. We can do it in a way that reduces the need for exploration drilling and increases the likelihood that future drilling will be successful. As it stands today our understanding of this potential resource base depends on data that is 30 years old or older. Interpreting it is analogous to a blind person trying to judge a beauty contest. Americans deserve public policy decisions that are made based on the best information possible. Modern seismic surveys provide that information. Let’s allow science to help us understand what resources we have. We owe it to ourselves.

Thank you for the opportunity to testify before the Subcommittee.

Dr. WITTMAN. Thank you, Mr. Miller. And we will now go to Mr. Guith.

**STATEMENT OF CHRISTOPHER GUTH, VICE PRESIDENT FOR
POLICY, INSTITUTE FOR 21ST CENTURY ENERGY, U.S.
CHAMBER OF COMMERCE**

Mr. GUTH. Thank you, Congressman Wittman. I am Christopher Guith, Vice President for Policy at the Institute for 21st Century Energy, an affiliate of the U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as State and local chambers and industry associations around the country.

I appreciate this opportunity to discuss the Offshore Energy and Jobs Act. Offshore energy development has been unnecessarily constrained for several decades across multiple administrations from both parties. I commend Chairman Hastings for continuing to push Congress to reconsider America's offshore energy policy, and frankly, America's energy policy in toto.

While many in this country, and most inside the beltway, are just waking up to the reality that the core assumption underlying our energy policy is no longer valid, to the extent it ever was, our energy policy is decades behind. The United States has the largest fossil fuel resource base in the world, yet our energy policy is based on the assumption that we are an energy-poor Nation that is subject to the whims of the world's energy exporters. Our energy policy must reflect the present and future reality, and the Offshore Energy and Jobs Act would help put us on a path toward that goal.

The United States is blessed with an extremely large oil and gas resource base. The Federal Government estimates that the United States holds about 1.4 trillion barrels of oil and 2.7 quadrillion cubic feet of natural gas that are technically recoverable. At current consumption rates, that is enough oil to last over 200 years, and natural gas to last 115 years. Moreover, this is a larger amount of oil than the world has consumed since commercial production began in the mid-19th century.

Today, due to administrative withdrawal or legislative prohibition, more than 86 percent of the United States' Outer Continental Shelf is off limits to any oil and natural gas production. And, more importantly, exploration. The Bureau of Ocean Energy Management estimates are based on exploratory work done in the 1970s and 1980s, and many generations of technology ago.

As has been stated, modern seismic graphing will invariably demonstrate much greater reserves in the OCS, using modern technology and economic conditions. This is precisely why the Offshore Energy and Jobs Act is vital to securing America's energy future. By increasing access to the OCS and establishing long-term production targets for the Department of the Interior to plan around when formulating oil and gas leasing programs, the country can begin to systematically increase its energy security and reap the economic benefits that entails.

The oil and natural gas industry is a tremendous economic growth engine that has represented one of the only positive growth industries over the Great Recession. One of the primary reasons for

this is that the industry is labor-intensive, relative to most other sectors of the economy. Additionally, the supply chain that supports this industry is quite long, stretching across the entire country, to include States that do not even produce oil and natural gas. These characteristics are especially true in the offshore exploration and production segment of the industry.

Offshore development supports about 240,000 direct and indirect jobs across the country. But nowhere is this more evident than the gulf coast economy. IHS Global Insight estimated in 2009 that the offshore oil and natural gas industry represented about 9.3 percent of total employment, and 12 percent of the entire gulf coast economy, and generated almost \$6 billion in State and local taxes and over \$13 billion in Federal revenue. While the gulf coast knows full well how bad Federal policy like the 2010 moratorium can create devastating economic consequences, we also know that sound policy that allows greater production of our immense resources presents tremendous beneficial impacts on the Nation's economy.

Oil production from Federal waters accounted for more than 20 percent of all U.S. production in 2012. More than 95 percent of that came from the Gulf of Mexico. However, with limited exception, those Coastal States receive less than 5 percent of the revenues the Federal Government receives from offshore development adjacent to those States. However, States hosting oil and natural gas development on Federal lands within their borders receive 50 percent of all royalties collected. While splitting the royalties onshore represents good policy, providing almost no share to adjacent Coastal States is quite the opposite.

Current law allows for limited revenue sharing in the eastern gulf, and this model should be expanded to all areas of Federal offshore production, which is one of the reasons we support the revenue-sharing section of the Offshore Energy and Jobs Act.

The United States is in the midst of an unprecedented oil boom. In 2013 we are on track to exceed 7.5 million barrels of oil per day in production, if we haven't already, a level that we have not seen in 24 years. The United States has witnessed more than a 40 percent increase in domestic oil production since 2008, alone. While we are on a path to greater self-reliance, we still have a long way to go. At some point this year, the United States is expected to see its domestic production outstrip imported oil for the first time in decades. That we are only 50 percent dependent on imported oil after such massive increases in domestic production is illustrative of why we also need to increase offshore production.

The Offshore Energy and Jobs Act goes a long way toward securing America's energy future, and we strongly support its passage and enactment. Thank you.

[The prepared statement of Mr. Guith follows:]

PREPARED STATEMENT OF CHRISTOPHER GUTH, VICE PRESIDENT—POLICY, INSTITUTE FOR 21ST CENTURY ENERGY, U.S. CHAMBER OF COMMERCE

Thank you, Chairman Lamborn, Ranking Member Holt, and members of the Committee. I am Christopher Guith, Vice President for Policy at the Institute for 21st Century Energy (Institute), an affiliate of the U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as State and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system.

The mission of the Institute is to unify policymakers, regulators, business leaders, and the American public behind common sense energy strategy to help keep America secure, prosperous, and clean. In that regard we hope to be of service to this Committee, this Congress as a whole, and the administration.

I appreciate this opportunity to discuss the draft version of the *Offshore Energy and Jobs Act*. Offshore energy development has been unnecessarily constrained for several decades and across multiple administrations from both parties. I commend Chairman Hastings for continuing to push Congress to reconsider America's offshore energy policy, and frankly America's energy policy in toto.

While many in this country, and most inside the Beltway, are just waking up to the reality that the core assumption underlying our energy policy is no longer valid, to the extent it ever was, our energy policy is decades behind. The United States has the largest fossil fuel resource base in the world. Yet, our energy policy is based on the assumption that we are an energy poor nation that is subject to the whims of the world's energy exporters. Our energy policy must reflect the present and future reality, and the *Offshore Energy and Jobs Act* would help put us on the path towards that goal.

RESOURCE BASE

The United States is blessed with an extremely large oil and natural gas resource base. The Federal Government estimates the United States holds about 1.4 trillion barrels of oil and 2.7 quadrillion cubic feet of natural gas that are technically recoverable. At current consumption rates, that's enough oil to last over 200 years and natural gas to last 115 years. Moreover, that is a larger amount of oil than the world has consumed since commercial production began in the mid-19th century.

Like statistics in general, reserve estimates can be misconstrued or misused and require proper context. For example, as of 2010, the U.S. proved oil reserves were estimated at 23 billion barrels which amounts to roughly 3 percent of the world's proved reserves and would last less than 5 years at current consumption rates. So which is it? Do we have more than 200 years of oil or 5? Actually, the real answer based on current assessments is we have 535 years worth of oil but not all of it is recoverable given current technology, oil prices, and access policy.

Proved reserves have a very specific definition, largely governed by Securities and Exchange Commission reporting requirements for energy companies. They include resources that have been discovered and can be recovered economically with a significant level of certainty. Proved reserves are a dynamic measure that fluctuate with the price of the resource and the availability and cost of technology with which it can be recovered.

In 1950, the U.S. proved oil reserves were 25.3 billion barrels of oil. Yet, between 1950 and 2012 the U.S. produced over 167 billion barrels of oil, or 660 percent more than the proved reserve of 1950.

The Bureau of Ocean Energy Management (BOEM) estimates that the U.S. Outer Continental Shelf (OCS) contains 90 billion barrels of oil and nearly 400 trillion cubic feet of natural gas that is undiscovered technically recoverable resources. These numbers are impressive or unimpressive depending upon the context. Not only do reserve estimates fluctuate based on financial conditions, but the availability and cost of improved technology alter the reserve estimates considerably.

Today, due to administrative withdrawal or legislative prohibition, more than 86 percent of the U.S. OCS is off-limits to any oil and natural gas production and, more importantly, exploration. The BOEM estimates are based on exploratory work done in the 1970s and 1980s, many generations of technology ago. Modern 3-D seismic graphing will invariably demonstrate much greater reserves in the OCS using modern technology and economic conditions.

This is precisely why the *Offshore Energy and Jobs Act* is vital to securing America's energy future. By increasing access to the OCS and establishing long-term production targets for the Department of the Interior to plan around when formulating oil and gas leasing programs, the country can begin to systematically increase its energy security and reap the economic benefits that entails.

ECONOMIC IMPACT

The oil and natural gas industry is a tremendous economic growth engine that has represented one of the only positive growth industries over the Great Recession. One of the primary reasons is that this industry is labor intensive relative to most sectors of the economy. Additionally, the supply chain that supports this industry is quite long, stretching across the country to include States that do not even produce oil or natural gas. These characteristics are especially true in the offshore exploration and production segment of the industry.

Offshore development supports over 240,000 direct and indirect jobs across the country, but nowhere is this more evident than the gulf coast economy. IHS Global Insight estimated that in 2009 the offshore oil and natural gas industry represented 9.3 percent of total employment and 12 percent of the economy, and generated almost \$6 billion in State and local taxes and over \$13 billion in Federal revenue.

Offshore development is the lifeblood of the gulf region directly and indirectly supporting thousands of small businesses that would not exist without it. We saw just how closely the gulf economy is tied to offshore development when in 2010 the Department of Interior effectively ceased offshore activities for over 1 year after the Macondo oil spill and by many measures has yet to reach a pre-spill rate of processing leasing programs and applications for permits to drill.

Precipitously shutting down 12 percent of the gulf's economy has severe immediate impacts, many of which will continue to be felt for years to come. Dr. Joseph Mason at Louisiana State University initially estimated that just a 6-month moratorium could result in a loss of more than \$2.1 billion to the gulf economy and more than 8,100 jobs.

While the gulf coast knows full well how bad Federal policy can create devastating economic consequences, we also know that sound policy that allows greater production of our immense resources in a safe and environmentally safe manner can have tremendously beneficial impacts on the Nation's economy.

REVENUE SHARING

Oil production from Federal waters accounted for more than 20 percent of all U.S. production in 2012. More than 95 percent of that offshore production comes from the Gulf of Mexico. However, with limited exception, those Coastal States receive less than 5 percent of the royalties the Federal Government receives from offshore development adjacent to those States.

However, States hosting oil and natural gas development on Federal lands within their borders receive 50 percent of all royalties collected. While splitting the royalties onshore represents good policy, providing almost no share to adjacent Coastal States is quite the opposite. The Gulf of Mexico Energy Security Act (GOMESA), which became law in 2006, created a new model for the sharing of Federal royalties from offshore development with adjacent States in a very limited geographic area. This model should be expanded to all areas of Federal offshore production, which is why we support the revenue sharing section of the *Offshore Energy and Jobs Act*.

This legislation follows the 37.5 percent allocation already established in GOMESA and would ensure the States who shoulder the largest burden of offshore oil and gas development receive an equitable share of Federal revenues just like States that host onshore development on Federal lands. The country owes a debt of gratitude to these offshore producing States for the economic and energy security benefits the entire country realizes and they should receive an equitable share of the Federal revenue derived from those activities.

ENERGY SECURITY

The United States is in the midst of an unprecedented oil boom. In 2013 we are on track to exceed 7.5 million barrels per day of production, a level not seen in 24 years. The United States has witnessed more than a 40 percent increase in oil production since 2008 alone. While we are on a path to a more secure energy future where we are much more self-reliant, we still have a long way to go. At some point later this year, the United States is expected to see its domestic production outstrip imported oil. Each additional barrel of oil we produce is one less barrel that needs to be imported, and ensures nearly all of the money paid for that barrel of oil stays in the United States, as opposed to less than 5 percent as is the case of imports from some countries.

That we are only 50 percent dependent on imported oil after such massive increases in domestic production is illustrative of why we also need to increase offshore production. While onshore production has increased exponentially, and net U.S. production continues to increase, offshore production has declined. Offshore production on Federal lands in 2012 was about 10 percent lower than it was in 2009. The OCS represents a tremendous resource base which could fuel production much greater than current rates. However, more than 86 percent of the OCS is not available for lease. The *Offshore Energy and Jobs Act* would allow greater access to this resource by expanding access to areas that have been off limits for decades, including its explicit inclusion of Lease Sale 220 adjacent to Virginia.

Onshore production is quickly moving the country towards greater energy security, but we still have a long way to go. Responsibly increasing offshore production is the next important step towards less imported oil and less energy security risk.

Mr. LAMBORN [presiding]. All right, thank you. Mr. Conathan?

STATEMENT OF MICHAEL J. CONATHAN, DIRECTOR OF OCEAN POLICY, CENTER FOR AMERICAN PROGRESS ACTION FUND

Mr. CONATHAN. Chairman Lamborn, Ranking Member Holt, members of the Committee, thank you for the opportunity to testify today on the Offshore Energy and Jobs Act. The issues this legislation addresses are vital to the well-being of our Nation. Yet its approach fails to reflect the reality of current activity in the oceans and our coasts or the economic and environmental risks posed by massive increases in offshore oil and gas production.

Our oceans and coasts are fundamental economic drivers. According to the National Ocean Economics Program, in 2011 the ocean economy accounted for 2.7 million jobs and contributed more than \$250 billion to our GDP. Nearly 2 million of those jobs occur in fisheries, tourism, and recreation: all industries that would be put at tremendous risk by expanded offshore drilling activity. Meanwhile, offshore minerals production supported approximately 143,000 workers. In other words, jobs that depend on healthy, unpolluted, undeveloped ocean space outnumber oil and gas jobs 15 to 1.

Although safe well-regulated oil and gas production is a necessary part of today's economy, its expansion into protected places puts other parts of the ocean economy at tremendous risk. The Gulf of Mexico is still recovering from the 2010 BP *Deepwater Horizon* disaster, and the full extent of the damage may not be known for decades.

In March of 2011, the National Commission on the BP *Deepwater Horizon* oil spill released its final recommendations to improve management of offshore drilling. They painted a bleak picture of failed congressional oversight. The commissioners found that Congress had developed a "false sense of security"—this is a quote—"about the risks of offshore drilling and gas development. Congress showed its support for offshore drilling in a number of ways, but did not take any steps to mitigate the increased perils that accompany drilling in ever-deeper water."

Fast-forward 2 years, and just last month the Wall Street Journal reported that the offshore oil and gas industry in the Gulf of Mexico is booming. But Congress has yet to pass a single piece of legislation to address the failure of oversight. Instead, some members of this Committee would like to advance legislation that would force the opening of massive new areas, exposing them to the same dangers that led to the *Deepwater Horizon* disaster.

Perhaps the most glaring example of congressional inaction is that the liability cap for offshore oil spills remains at a pathetically low \$75 million, while damages from *Deepwater Horizon* have already exceeded \$14 billion. The big five oil companies made over \$118 billion in profits in 2012 alone. So that means together they could pay for the maximum legal liability for four offshore oil spills every day for a year, and still have profits left over. BP waived its liability cap, but there is no guarantee that the next company will be solvent enough to pay more than the law requires. It is Congress's job to take care of this problem.

Fortunately, other opportunities exist to create jobs and increase our domestic offshore energy production. Offshore wind is a proven source of commercially scalable power that carries far fewer environmental risks. The United States has yet to construct its first offshore wind farm, but countries like Denmark, Germany, and the UK have installed thousands of megawatts of offshore wind capacity in their coastal waters. And industries are developing in China, South Korea, India, and other parts of the world.

The Department of Energy has set a goal of developing 54 gigawatts of offshore wind energy by 2030, which it says would create 43,000 jobs in the engineering, construction, and manufacturing sectors. And earlier this week the Department opened its first auction process for an offshore wind area off the coast of Rhode Island and Massachusetts.

Finally, this legislation simply ignores the reality that our current energy habits are changing the climate of our planet. According to a recent NASA study, 97 percent of climate scientists now agree that climate change is happening, and is very likely caused by human activity, 97 percent of scientists at NASA. Science is not political. Science doesn't care who can afford more commercial air time on television. Science is reality. And until we start reducing our reliance on fossil fuels and carbon pollution, and seeking alternative forms of electricity and energy to fuel our economy, we are putting our own future and our children's future in dire peril.

The Offshore Energy and Jobs Act is not part of a true all-of-the-above energy strategy. It is an anything-goes energy strategy that ignores our past failures and creates a game that means, for big oil, to play is to win. But the losers in this game are sustainable ocean and coastal industries, our marine environment and some of our most beloved places for rest and recreation and recuperation. American prosperity will come from diversifying our economic growth, not supporting one industry at the expense of all others, and tilting the playing field dramatically in favor of oil and gas companies that already dominate our economic landscape.

Once again, I thank you, and I look forward to the opportunity to answer any questions you may have.

[The prepared statement of Mr. Conathan follows:]

PREPARED STATEMENT OF MICHAEL J. CONATHAN, DIRECTOR OF OCEAN POLICY,
CENTER FOR AMERICAN PROGRESS

H.R. 2231—OFFSHORE ENERGY AND JOBS ACT

Chairman Lamborn, Ranking Member Holt, and members of the Committee, thank you for the opportunity to testify today on the Offshore Energy and Jobs Act of 2013.

Our Nation's ocean space is one of our greatest treasures. It gives us sustenance in the form of the seafood we consume and two-thirds of the oxygen we breathe. It provides a trade route that brings 90 percent of the material goods we import to our shores. It regenerates our souls with one of our most popular destinations for vacation, rest, and restoration of spirit and mind. And as we are here to discuss today, it also provides much of the energy that fuels our economy.

And in providing all of these services, our oceans and coasts are also fundamental economic drivers. According to the National Ocean Economics Program and the Monterey Institute of International Studies' Center for the Blue Economy, in 2011 the ocean economy—which consists of construction, living resources, minerals, ship

and boat building, tourism and recreation, and transportation—accounted for 2.7 million jobs and contributed more than \$250 billion to our gross domestic product.¹

Particularly in today’s economic environment, we must strive to protect all the sources of revenue we receive from our ocean. The legislation we are here to consider today unfortunately prioritizes one industry over all the rest, to the detriment of both our economic and environmental well-being.

The Offshore Energy and Jobs Act of 2013 focuses on increasing energy production and, to that end, seeks to prioritize job creation exclusively in the energy field. But one cannot truly consider the potential effect of expanded oil and gas production on the economy and on employment without looking beyond just a single industry. The “all of the above” energy strategy espoused by members of both political parties and echoed from both ends of Pennsylvania Avenue must mean exactly that—all sources of energy production must be included. The Offshore Energy and Jobs Act is an incomplete bill for an “all of the above” energy strategy.

The fact is, accelerating offshore oil and gas production in an attempt to create more jobs might be a fine idea if nothing else took place in our exclusive economic zone. But the ocean is a busy place, and prioritizing one industry will surely come at the expense of others.

So the first thing I would ask this Committee to consider is a revision of perspective. Instead of asking how to create more oil and gas jobs, take a step back and ask how to create more good jobs in industries that rely on the ocean. The options are suddenly far stronger.

Here is the reality of today:

- Offshore oil and gas production is already a growth industry. According to *The Wall Street Journal*, “today . . . offshore drilling is booming in the Gulf of Mexico.”² Every year of the Obama Administration, there has been more oil produced on the outer continental shelf than the last year of the previous Administration, and every year but 2012 saw more production than *any* year of George W. Bush’s presidency.
- In 2010 the Gulf of Mexico experienced the worst accidental offshore oil spill in the history of the world. Since then, Congress has passed exactly zero laws to strengthen oversight of offshore oil production or increase pathetically low liability limits of \$75 million.
- Despite this massive quantity of production, this legislation would stomp on the gas pedal, accelerating production even further and forcing the opening of new areas in the Atlantic, the Pacific, and the gulf coast, including areas where local residents resoundingly oppose having their coastlines threatened by oil production.
- In many of these regions, the current economy depends on clean, healthy oceans. The increase in industrial activity and the risk of blowouts, spills, and pollution that comes with offshore drilling would threaten oceans.
- Instead of creating offshore energy jobs by doubling down on dirty energy policies of the 20th century, we should be investing in the future: renewable energy. Shallow water offshore wind is ready for prime time in U.S. waters, and other offshore renewable technologies are right behind.

Offshore Oil and Gas Production is Already Booming

Production in Offshore Waters is Currently Outpacing Production Under the Bush Administration

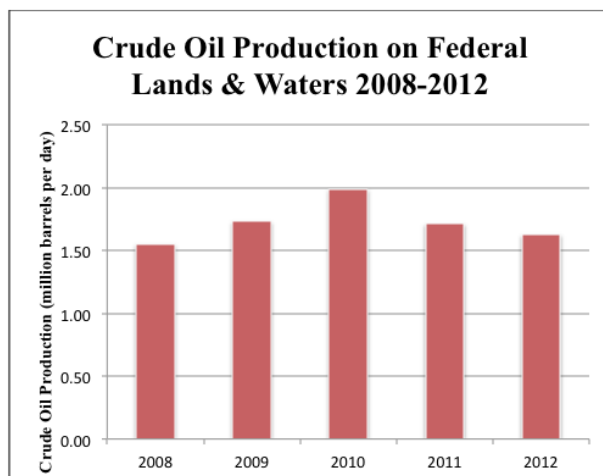
There has been quite a bit of rhetoric from the oil industry about the decline of oil production from Federal lands and waters under the Obama Administration. These claims are disproved by the data from the Energy Information Administration as analyzed by the Congressional Research Service.³ Oil production from federally

¹ Center for the Blue Economy, “Market Data: OceanEconomy Search Results,” available at <http://www.oceaneconomics.org/Market/ocean/oceanEconResults.asp?IC=N&selState=0&selCounty=All&selYears=2010&selToYear=none&selSector=8&selIndust=All&selValue=All&selOut=display&noepID=unknown> (last accessed June 2013).

² “Should the U.S. Expand Offshore Oil Drilling?”, *The Wall Street Journal*, April 12, 2013, available at <http://online.wsj.com/article/SB10001424127887324020504578398610851042612.html>.

³ Marc Humphries, “U.S. Crude Oil and Natural Gas Production in Federal and Non-Federal Areas” (Washington: Congressional Research Service, 2013), available at <http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/20130228CRSreport.pdf>.

owned places was higher in every one of the past 4 years compared to 2008 when oil hit a record-high price of \$142.50 per barrel.⁴



Source: Congressional Research Service

Crude oil production on federal lands and waters (thousands of barrels per day)

Fiscal year	Federal onshore	Federal offshore	Total federal
2008	285	1,266	1,550
2009	288	1,444	1,731
2010	296	1,693	1,989
2011	307	1,408	1,715
2012	332	1,296	1,627

Source: Congressional Research Service.

Increasing Production Will Not Lower Gas Prices

One of the issues Americans care about most fervently when it comes to oil production is the price of gasoline. But the fact is that increasing production will do nothing to lower prices at the pump. In 2012 the Associated Press, or AP, tested the theory of whether more U.S. drilling would lower gasoline prices. It conducted an exhaustive analysis of 36 years of monthly U.S. oil production and gasoline price data. AP found “[n]o statistical correlation between how much oil comes out of U.S. wells and the price at the pump.”⁵

As fundamental as the law of supply and demand might be to macroeconomic theory, the on-the-ground reality is that more drilling will not lower gas prices. The Energy Information Administration finds that even if we waive the green flag for our entire exclusive economic zone, it will do nothing more than reduce the cost of gasoline by 2 cents and not until 2030.⁶

Here is why:

⁴Energy Information Administration, *Weekly Cushing, OK WTI Spot Price FOB* (Department of Energy, 2013), available at <http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWT&j=W>.

⁵The Center for Public Integrity, “Fact Check: More U.S. drilling didn’t drop gas prices” (2012), available at <http://www.publicintegrity.org/2012/03/21/8474/fact-check-more-us-drilling-didnt-drop-gas-prices>.

⁶Energy Information Administration, *Impact of Limitations on Access to Oil and Natural Gas Resources in the Federal Outer Continental Shelf* (Department of Energy, 2009), available at http://www.eia.gov/oiaf/aeo/otheranalysis/aeo_2009analysispapers/aongr.html.

- As of 2012 U.S. oil production was at an 8-year high,⁷ and the most recent “Short-Term Energy Outlook” from the Energy Information Administration projects production to continue growing at least through 2013 based on current activity.⁸ By the end of President Obama’s recently issued 5-year drilling plan, fully 75 percent of our undiscovered, technically recoverable offshore reserves will be open for drilling.⁹ All that additional activity has not brought down the price of gasoline at the pump.
- If oil companies wanted to increase production, they could. In March 2011 the Department of the Interior released a report revealing that two-thirds of oil-and-gas companies’ offshore leases and more than half of their onshore leases are not being produced.¹⁰
- Gasoline supply is ultimately constrained not by oil production but by refining capacity. More than half of the Nation’s refineries are controlled by five companies, and in the spring of 2011 as gas prices surged close to \$4 per gallon, the *Los Angeles Times* reported that domestic refineries were “operating at about 81 percent of their production capacity,” and that exports of refined products such as gasoline were increasing because foreign buyers were “willing to pay a premium.”¹¹

Richard Newell, then-administrator of the Energy Information Administration, testified before the full House Natural Resources Committee in 2011 to explain that “[w]e do not project additional volumes of oil that could flow from greater access to oil resources on Federal lands to have a large impact on prices given the globally integrated nature of the world oil market.”¹² In other words, because the price of oil is set on a global market rather than a domestic market, opening up protected lands and waters to more drilling would not substantially affect oil prices.

Legacy of the BP *Deepwater Horizon* Oil Spill

Congressional Inaction

In the spring and summer of 2010, horrified Americans watched as the worst oil spill in America’s history gushed uncontrollably into the Gulf of Mexico more than a mile below the surface. By the time BP’s Macondo well was finally plugged 89 days after the explosion that killed 11 men and sunk the *Deepwater Horizon* drilling rig, nearly 5 million barrels of oil had polluted the gulf, compounded by the application of millions of gallons of chemical dispersant.

In the aftermath of the incident, President Obama convened the National Commission on the BP *Deepwater Horizon* Oil Spill to investigate what happened in the accident and how the country could improve future operations and reduce the chances of another such disaster. In January 2011 the commission published its final report, including a 60-page summary document with recommendations for Congress, the industry, and the Administration to overhaul our drilling procedures and make adequate reparations in the aftermath of the spill.

In the more than 2 years since this report was published, Congress has enacted exactly zero bills to strengthen our oversight of offshore drilling activities, even those carried out in ultra-deep water like the *Deepwater Horizon* operation.

The Offshore Energy and Jobs Act would partially address one of these recommendations: codifying changes to the former Minerals Management Service to increase Federal oversight and ensure separation between the Government’s permitting and revenue collection authorities and its enforcement arm. Yet even this change would be late in coming. The Obama Administration has acted swiftly to resolve this issue with the creation of the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement.

⁷ “Barack Obama says U.S. oil production is at 8-year high,” Politifact.com, January 24, 2012 available at <http://www.politifact.com/truth-o-meter/statements/2012/jan/24/barack-obama/barack-obama-says-us-oil-production-eight-year-high/>.

⁸ Energy Information Administration, *Short-Term Energy Outlook* (Department of Energy, 2013), available at http://205.254.135.7/forecasts/steo/pdf/steo_full.pdf.

⁹ Department of the Interior, “Secretary Salazar Announces 2012–2017 Offshore Oil and Gas Development Program,” Press Release, September 8, 2011, available at <http://www.doi.gov/news/pressreleases/Secretary-Salazar-Announces-2012-2017-Offshore-Oil-and-Gas-Development-Program.cfm>.

¹⁰ Department of the Interior, “BOI Releases Report on Unused Oil and Gas Leases,” Press Release, March 29, 2011, available at <http://www.doi.gov/news/pressreleases/DOI-Releases-Report-on-Unused-Oil-and-Gas-Leases.cfm>.

¹¹ Ronald D. White, “Oil companies are making more money and less fuel,” *Los Angeles Times*, April 28, 2011, available at <http://articles.latimes.com/2011/apr/28/business/la-fi-oil-refineries-20110429>.

¹² Richard Newell, Testimony before the Committee on Natural Resources, March 17, 2011, available at http://www.eia.gov/ncic/speeches/newell_03172011.pdf#page=7.

Yet numerous other issues remain unaddressed, and we should not be aggressively accelerating offshore oil and gas development until we have fixed the problems that either led to or were exposed by the BP disaster in 2010. Perhaps the most glaring area in need of congressional attention is the issue of oil companies' liability for spills.

The current liability cap for offshore oil spills remains at a pathetically low \$75 million per incident. According to the Congressional Research Service, BP has already paid approximately \$14 billion on cleanup operations alone.¹³ Early on in the process, BP agreed to waive the \$75 million cap and pay all costs of the clean up, but they were not legally required to do so.

Opponents of raising the liability cap argue that it would prevent smaller companies from entering into the industry because they would be unable to get insurance to cover the extent of their liability. Even disregarding the counterargument that if a company cannot afford to clean up the potential mess, they should not attempt the action in the first place, there are ways around this conundrum. One would be to create a shared risk pool that would make all oil companies jointly liable for major accidents. A similar structure already exists for the nuclear industry under the Price-Anderson Act that, as of 2011, would cover the first \$12 billion of liability for a nuclear accident.¹⁴

To date, the only meaningful piece of legislation Congress has passed following the spill was the RESTORE the Gulf Coast Act, which ensures 80 percent of BP's fines under the Clean Water Act will be distributed to the Gulf Coast States for economic and environmental restoration activities. This action was called for by the Commission and in "Beyond Recovery"—a report released in February 2011 by the Center for American Progress and Oxfam America¹⁵—and it will ensure the bulk of the funds received by the Federal Government are repurposed to specifically repair some of the damage caused by BP and its partners' mistakes.

Direct Impacts of the BP Disaster

The Gulf of Mexico is one of the Nation's most productive fishing grounds. But in 2010 at the peak response to the oil spill, about 40 percent of gulf waters were closed to all commercial and recreational fishing—a huge blow to area fishermen, many of whom have yet to rebound. Louisiana oysterman Terrence Shelley recently told Bloomberg that total losses from his family's 18,000 acres of oyster reefs could reach \$20 million by 2017—the year their oyster leases are projected to fully recover.¹⁶

And while long-term damage estimates vary, a new study published in the *Canadian Journal of Fisheries and Aquatic Sciences* determined that over 7 years, the oil spill could have an \$8.7 billion impact on the economy of the Gulf of Mexico including losses in revenue, profit, wages, and close to 22,000 jobs.¹⁷

The ultimate environmental and human health effects of the oil spill emerging from the beaches and wetlands are to this day unknown. Auburn researchers, however, found that *Deepwater Horizon* tar balls contained 10 times more of the bacteria *Vibrio vulnificus*, which is the leading cause of death from seafood contamination, than the surrounding sand and up to 100 times more than nearby seawater.¹⁸

Another alarming discovery came in the "State of the Beach" report released this week by the Surfrider Foundation. The report found that the mixture of toxic dispersants and crude oil has now weathered into tar product. The "unholy mix" is

¹³Jonathan L. Ramseur and Curry L. Hagerty, "Deepwater Horizon Oil Spill: Recent Activities and Ongoing Developments" (Washington: Congressional Research Service, 2013), available at <http://www.fas.org/spp/crs/misc/R42942.pdf>.

¹⁴United States Nuclear Regulatory Commission, "Fact Sheet on Nuclear Insurance and Disaster Relief Funds" (2011), available at <http://www.nrc.gov/reading-rm/doc-collections/fact-sheets/funds-fs.html>.

¹⁵Kate Gordon and others, "Beyond Recovery: Moving the Gulf Coast Toward a Sustainable Future" (Washington: Center for American Progress, 2011), available at <http://www.americanprogress.org/issues/green/report/2011/02/09/9048/beyond-recovery/>.

¹⁶Allen Johnson Jr., Laurel Calkins, and Margaret Cronin Fisk, "BP Spill Victims Face Economic Fallout Two Years Later," *Bloomberg*, February 23, 2012, available at <http://www.bloomberg.com/news/2012-02-23/bp-oil-spill-haunts-gulf-business-owners-almost-two-years-after-disaster.html>.

¹⁷"Deepwater Horizon Disaster Could Have Billion Dollar Impact," *Science Daily*, February 17, 2012, available at <http://www.sciencedaily.com/releases/2012/02/120217115553.htm>.

¹⁸Stephanie Pappas, "Deadly bacteria lurk in Deepwater Horizon tar balls," *NBC News*, April 4, 2012, available at http://www.msnbc.msn.com/id/46958825/ns/technology_and_science-science/%22%5C%22.T4X5ctniFXs.

allowing potentially carcinogenic concentrations of organic pollutants to remain in the environment and is absorbed by wet skin twice as fast as by dry skin.¹⁹

The BP oil spill shocked the gulf coast's already compromised ecosystem, which will continue to degrade until comprehensive coastal restoration is undertaken. A new report from the National Wildlife Federation determined that 3,000 miles of beaches and wetlands along the gulf coast were contaminated by oil and that "oil contamination or efforts to clean it up can damage wetlands, killing vegetation and thereby causing accelerated erosion and conversion of land to open water."²⁰

Coastal wetlands serve as critical buffers to storm surges and sea level rise, as well as filtering pollution and providing habitat for juvenile fish that ultimately mature and fill the nets of commercial fishermen. The financial impacts of these environmental services are difficult to quantify, but efforts to protect them will clearly have a positive effect on the region's economy.

Legislation Would Open Inappropriate Areas to Production

Perhaps the most troubling aspect of the Offshore Energy and Jobs Act is its sheer scope. Drilling is already prominent in the Gulf of Mexico where about 95 percent of our offshore oil and gas is produced.²¹ But in most other parts of the country, the ocean and coastal economy depends on activities that would be put at risk by the imposition of offshore oil and gas drilling.

The coastal economies of States along the Atlantic and Pacific coasts are driven by such industries as tourism and recreation, fisheries, shipping, and military installations. Most of these uses are incompatible with oil and gas development as proposed in the Offshore Energy and Jobs Act.

In Virginia, for example—a State that the bill would specifically require to be included in a revised 5-year leasing plan—tourism is a massive economic driver. A recent PricewaterhouseCoopers analysis of Virginia's tourism industry reported that the sector supports more than 200,000 jobs, which yielded an economic impact of more than \$20 billion in 2011.²² Virginia's coast and ocean also support thriving fisheries; in 2011 fishermen in Virginia landed 247,000 tons of seafood worth more than \$191 million, ranking it the third largest seafood producer in the country by weight.²³

The bill would also force the expansion of drilling operations into areas of Alaska where the risk posed by offshore drilling operations is simply too high, primarily in the Bristol Bay region and along the Arctic coast. Despite potentially large reserves of petroleum in those places, they should remain off-limits.

In 2011 Alaska fishermen hauled in about 35 percent of America's catch by value—more than three times as much as Massachusetts, the State in second place.²⁴ Alaska fishing also provides more than half of total U.S. landings by weight—more than four times as much as Louisiana, the runner-up.²⁵ Even by Alaska's standards, Bristol Bay's salmon fishery is a huge economic driver. One study from the University of Alaska found that in 2010 Alaska created the equivalent of nearly 10,000 full-time jobs across the United States and \$1.5 billion in total economic output.²⁶

The thriving Bristol Bay ecosystem underpins all of these jobs by supporting an astounding number of wild fish. Since the early 1990s annual upriver runs of sockeye salmon from Bristol Bay have averaged more than 37 million fish, the biggest

¹⁹Julia Whitty, "BP's Corexit Oil Tar Sponged Up by Human Skin," *Mother Jones*, April 17, 2012, available at <http://motherjones.com/blue-marble/2012/04/microbes-arent-eating-oil-gulf-beaches-thanks-corexit-dispersant>.

²⁰Douglas B. Inkley, "Restoring a Degraded Gulf of Mexico" (Washington: National Wildlife Federation, 2013), available at <http://www.nwf.org/news-and-magazines/media-center/reports/archive/2013/04-02-13-restoring-a-degraded-gulf-of-mexico.aspx>.

²¹Institute for Energy Research, "U.S. Oil Production Up, But On Whose Lands?" (2012), available at <http://www.instituteforenergyresearch.org/2012/09/24/u-s-oil-production-up-but-on-whose-lands-2/>.

²²PricewaterhouseCoopers, "Virginia State Tourism Plan" (2013), available at http://www.vatc.org/uploadedFiles/Partnership_Alliance_Marketing/VirginiaStateTourismPlanVTC3292013.pdf.

²³National Oceanic and Atmospheric Administration, "Annual Commercial Landings by Group," available at http://www.st.nmfs.noaa.gov/st1/commercial/landings/ge_runc.html (last accessed June 2013).

²⁴National Oceanic and Atmospheric Administration, "Annual Commercial Landing Statistics," available at <http://www.st.nmfs.noaa.gov/commercial-fisheries/commercial-landings/annual-landings/index> (last accessed June 2013).

²⁵Ibid.

²⁶Gunnar Knapp, Mouhcine Guettabi, and Scott Goldsmith, "The Economic Importance of the Bristol Bay Salmon Industry" (Anchorage: University of Alaska Anchorage Institute of Social and Economic Research, 2013), available at <http://www.bbrsda.com/wp-content/uploads/2013/05/Economic-Importance-of-Bristol-Bay-Full-Report.pdf>.

run of sockeyes anywhere in the world.²⁷ As a result, this sockeye run is also the world's most valuable. Since 1991 Bristol Bay's commercial sockeye fishermen have landed an average of 25.6 million fish annually,²⁸ which is about 51 percent of the global sockeye catch; British Columbia's Fraser River region takes a distant second place, contributing about 11 percent.²⁹ And exports of the salmon return \$250 million to the U.S. economy,³⁰ comprising nearly 6 percent of all U.S. exports of seafood in 2010.³¹

The Offshore Energy and Jobs Act would also likely have the result of accelerating offshore drilling in the Arctic Ocean despite the fact that recent operations in that region have proven that the industry is currently incapable of carrying out safe operations in one of the harshest environments on earth. In the summer of 2012, after committing 5 years and investing nearly \$5 billion in the process, Royal Dutch Shell finally received the green light to begin drilling in the Beaufort and Chukchi Seas off Alaska's north slope. The result was an unmitigated failure.

Over the course of 2012:

- A February report from the Government Accountability Office identified a slew of environmental, logistical, and technical challenges associated with Arctic offshore drilling and concluded that Shell's "dedicated capabilities do not completely mitigate some of the environmental and logistical risks associated with the remoteness and environment of the region."³²
- In July Shell briefly lost control of its *Noble Discoverer* rig when the vessel slipped its mooring and came close to running aground in Dutch Harbor, Alaska.³³
- Later in July Shell's oil spill response barge, a key piece of oil spill response equipment, repeatedly failed to obtain Coast Guard certification. In conjunction with late lingering sea ice that blocked access to the drill sites, these delays prevented Shell from beginning drilling work on schedule.³⁴
- In August Norwegian oil and gas company Statoil announced that it would suspend its own plans to drill offshore in the Alaskan Arctic Ocean after watching Shell's struggles in the region.³⁵
- In September, after repeatedly failing to receive Coast Guard approval for its containment barge, Shell was forced to postpone exploratory drilling operations until 2013 and settle instead for beginning to drill two non-oil-producing preparatory wells.³⁶
- In December internal emails between Department of the Interior officials revealed that the September test of Shell's oil spill containment system was not just a failure but a complete disaster. The containment dome "breached like a

²⁷ Alaska Department of Fish and Game Division of Commercial Fisheries, "2012 Bristol Bay Salmon Season Summary," Press release, September 21, 2012, available at <http://www.adfg.alaska.gov/static/home/news/pdfs/newsreleases/cf/226013052.pdf>.

²⁸ Matt Jones and others, "2011 Bristol Bay Area Annual Management Report" (Anchorage: Alaska Department of Fish and Game, 2012), available at <http://www.adfg.alaska.gov/FedAidPDFs/FMR12-21.pdf>.

²⁹ Nature Conservancy, "Global Sockeye Salmon Production," available at http://www2.epa.gov/sites/production/files/sockeye-piechart_0.jpg (last accessed June 2013).

³⁰ Knapp, Guettabi, and Goldsmith, "The Economic Importance of the Bristol Bay Salmon Industry."

³¹ National Oceanic and Atmospheric Administration, *Seafood Export Facilitation: The Latest and Greatest on What you Need to Know* (Department of Commerce, 2011), available at www.seafood.nmfs.noaa.gov/Boston_2011_EUPresentation.pptx.

³² Government Accountability Office, "Oil and Gas: Interior Has Strengthened Its Oversight of Subsequent Well Containment, but Should Improve Its Documentation" (2012), available at http://www.eenews.net/assets/2012/03/30/document_gw_04.pdf.

³³ Kiley Kroh, "Shell Loses Control of Arctic Drilling Rig in Alaskan Harbor," ThinkProgress, July 16, 2012, available at <http://thinkprogress.org/climate/2012/07/16/521391/shell-loses-control-of-arctic-drilling-rig-in-alaskan-harbor/>.

³⁴ "Shell's Arctic Oil Spill Response Still Behind Schedule," ThinkProgress, July 20, 2012, available at <http://thinkprogress.org/climate/2012/07/20/556141/shells-arctic-oil-spill-response-still-behind-schedule/>.

³⁵ Lisa Demer, "Oil company delays exploration in Arctic waters off Alaska," *Anchorage Daily News*, September 6, 2012, available at <http://www.adn.com/2012/09/06/2614308/oil-company-delays-arctic-exploration.html>.

³⁶ Kiley Kroh, "Shell Postpones Arctic Offshore Drilling For The Year Due To Technical Problems And Rough Ice Conditions," ThinkProgress, September 17, 2012, available at <http://thinkprogress.org/climate/2012/09/17/859091/shell-postpones-arctic-offshore-drilling-for-the-year-due-to-technical-problems-and-rough-ice-conditions/>.

whale” and was “crushed like a beer can”—and all in the comparatively temperate waters of Puget Sound.³⁷

- And on the last day of the year, in a rush to avoid paying Alaska State taxes on its rig for 2013, Shell lost control of the rig in heavy weather, and it ended up running aground.³⁸

As a result of this lengthy series of mistakes and failures, Shell has announced that it will not attempt to drill in the Arctic in 2013 as both of its rigs are now in Asia awaiting repairs.

As a 2012 report from the Center for American Progress points out, the United States currently lacks adequate response capacity in the Arctic region. No rail lines and only one highway connect the north slope of Alaska to the rest of the State. There is no deepwater port facility, and the closest Coast Guard station is more than 500 miles away in Kodiak. Should a spill occur in the Arctic region of Alaska, mounting a response would be all but impossible with limited accessibility and nowhere to house response personnel. There is equally scant scientific knowledge about how oil behaves in frigid water or how we might go about cleaning it up.

The bottom line is that Alaska’s waters are among the most pristine and productive on earth, and whether the region in question is the fish-rich area around Bristol Bay or the remote, unknown, and untested Arctic, they should remain off-limits to oil and gas exploration.

Blue Economy Is More Vibrant Than Drilling

The motive to create more jobs in America is a good one. With unemployment stubbornly hovering around 8 percent, we clearly need them. There is, however, more than one way to generate employment from our oceans and coasts, and, in many cases, accelerating offshore oil and gas development will hinder job creation in other industries. We have already seen how one accident 3 years ago devastated the coastal economy of an entire region. We must do all we can to ensure that we protect and grow the jobs currently supported by vibrant, healthy oceans and coastal regions.

Commercial and Recreational Fisheries

Fishing is perhaps the first vocation that comes to mind when considering ocean and coastal economic activity. We also have better data for the fishing industry than many other ocean industries. A report released in March by the National Oceanic and Atmospheric Administration, or NOAA, found that “U.S. commercial and recreational saltwater fishing generated more than \$199 billion in sales and supported 1.7 million jobs in the Nation’s economy in 2011.”³⁹ By comparison, the oil and gas extraction and refinement industry employed approximately 641,000 people, according to the Bureau of Labor Statistics. Adding in employees of gasoline service stations to account for supply chain employment, that figure reached 1.4 million jobs but still falls short of the jobs created from fishing.⁴⁰

Furthermore, as the members of the Committee on Natural Resources—which has jurisdiction over our Nation’s fisheries—know very well, we have effectively ended deliberate overfishing in the United States. NOAA’s most recent “Status of Stocks” report to Congress showed a record number of domestic fish populations rebuilt to sustainable levels.⁴¹ In her testimony before the Senate Committee on Commerce, Science, and Transportation in 2011, former NOAA Administrator Jane Lubchenco estimated that rebuilding all U.S. fish populations to sustainable levels could generate “an additional \$31 billion in sales impacts, support an additional 500,000 jobs and increase the revenue fishermen receive at the dock by \$2.2 billion . . . more

³⁷ Kiley Kroh, “Shell’s Failed Arctic Oil Spill Equipment: ‘Breached Like A Whale’ And ‘Crushed Like A Beer Can,’” ThinkProgress, December 5, 2012, available at <http://thinkprogress.org/climate/2012/12/05/1284301/shells-failed-arctic-oil-spill-equipment-breached-like-a-whale-and-crushed-like-a-beer-can/>.

³⁸ Lisa Demer, “Shell rig left Alaska port to avoid taxes, company official testifies,” FuelFix, May 26, 2013, available at <http://fuelfix.com/blog/2013/05/26/shell-rig-left-alaska-port-to-avoid-taxes-company-official-testifies/>.

³⁹ National Oceanic and Atmospheric Administration, *Fisheries Economics of The U.S. 2011* (Department of Commerce, 2011), available at http://www.st.nmfs.noaa.gov/economics/publications/feus/fisheries_economics_2011.

⁴⁰ Bureau of Labor Statistics’ sectors used in this report include: Oil and gas extraction; Support activities for oil and gas operations; Oil and gas pipeline construction; Petroleum refineries; and Pipeline transportation. Bureau of Labor Statistics, “Employment,” available at <http://www.bls.gov/data/#employment> (last accessed June 2013).

⁴¹ National Oceanic and Atmospheric Administration, *Status of Stocks 2012* (Department of Commerce, 2013), available at http://www.nmfs.noaa.gov/sfa/statusoffisheries/2012/2012_SOS_RTC.pdf.

than a 50 percent increase from the current annual dockside revenues” (emphasis in original).⁴²

Recreation and Tourism

Visiting the beach is the greatest connection to our oceans for many Americans, and coastal tourism and recreation sustain our coastal economies. Traveling to the shores along our coasts and Great Lakes and snorkeling, boating, and surfing are activities that directly contribute to local economies. According to the Joint Ocean Commission report titled “America’s Ocean Future,” in 2007 the leisure and hospitality industry in U.S. Coastal States supported almost 11 million jobs and more than \$214 billion in wages.⁴³

Benefits of Coastal Tourism and Recreation

[Contributions of ocean tourism and recreation establishments by region, 2009]

Region	Establishments	Employment	Wages	GDP
Great Lakes	12,223	217,265	\$3.6 billion	\$7.9 billion
Gulf of Mexico	14,938	229,466	\$4.2 billion	\$9.1 billion
Mid-Atlantic	36,097	514,668	\$11.4 billion	\$25.1 billion
North Pacific (Alaska)	1,238	13,045	\$0.25 billion	\$0.51 billion
Northeast	10,833	147,319	\$2.9 billion	\$5.9 billion
Pacific (Hawaii)	3,543	86,198	\$2.2 billion	\$4.6 billion
Southeast	14,210	248,422	\$4.8 billion	\$10.7 billion
West	23,239	405,486	\$8.6 billion	\$18.3 billion
Total	116,321	1,861,869	\$37.95 billion	\$82.1 billion

Source: Data courtesy of NOAA Coastal Service Center, Economics: National Ocean Watch.

Coastal tourism generates significant economic activity every year. As David Beckman, water program director for the Natural Resources Defense Council, told the *Christian Science Monitor*, “Beach going and resort attendance is big business in America—especially on Fourth of July weekend. Some 450 million people will visit over 3,000 U.S. beaches this year [2011].”

Florida is a prime example of the great economic value of nonextractive ocean and coastal activities. Florida’s tourism, fish and wildlife, ports, and defense-related industries generate more than \$175 billion in economic benefits and over 2.2 million jobs annually.⁴⁴ Tourism alone is Florida’s leading industry, employing around 1 million people and accounting for more than one-fifth of the State’s total sales tax revenue and 9.3 percent of its gross domestic product.⁴⁵

The oceans and Great Lakes are not an everlasting source of recreation and GDP, however. All of these activities and industries require healthy oceans and coasts to prosper. Who wants to relax on a contaminated beach or surf through an oil slick?

This is why Floridians have long been wary of offshore drilling and its potential to kill the tourism industry—the goose that lays the State’s golden eggs. Even in the face of mounting pressure to open more areas to drilling, Florida has maintained a two-decade-old ban on drilling in State waters.⁴⁶

Oil spills and other disasters are inevitable consequences of offshore drilling, and the *Deepwater Horizon* disaster took a huge toll on Florida’s economy. In the immediate wake of the spill, for example, “many Panhandle hotels and restaurants reported seeing sales down by 50 percent in the peak summer months” and in Frank-

⁴²Jane Lubchenco, “New England Groundfish Management,” Testimony before the Senate Committee on Commerce, Science, and Transportation, October 3, 2011, available at http://www.noaa.gov/stories/2011/20111003_testimony.html#_ftnref2.

⁴³Joint Oceans Commission Initiative, “America’s Ocean Future: Ensuing Healthy Oceans to Support a Vibrant Economy” (2011), available at http://www.jointoceancommission.org/resource-center/1-Reports/2011-06-07_JOCI_Americas_Ocean_Future.pdf.

⁴⁴Mitch Stacy, “Florida tourism rebounds in 2011, overseas visits up,” *USA Today*, December 30, 2011, available at <http://travel.usatoday.com/destinations/story/2011-12-31/Florida-tourism-rebounds-in-2011-overseas-visits-up/52295150/1>.

⁴⁵Catherine Hollander, “Florida’s Housing Mess Puts GOP Hopefuls on Uncomfortable Turf,” *National Journal*, January 23, 2010, available at <http://www.nationaljournal.com/2012-presidential-campaign/florida-s-housing-mess-puts-gop-hopefuls-on-uncomfortable-turf-20120123?mrefid=election2012>.

⁴⁶“Offshore Oil Drilling ‘Not In Florida Waters,’ Lawmaker Says,” CBS Miami, June 30, 2011, available at <http://miami.cbslocal.com/2011/06/30/offshore-oil-drilling-not-in-florida-waters-lawmaker-says/>.

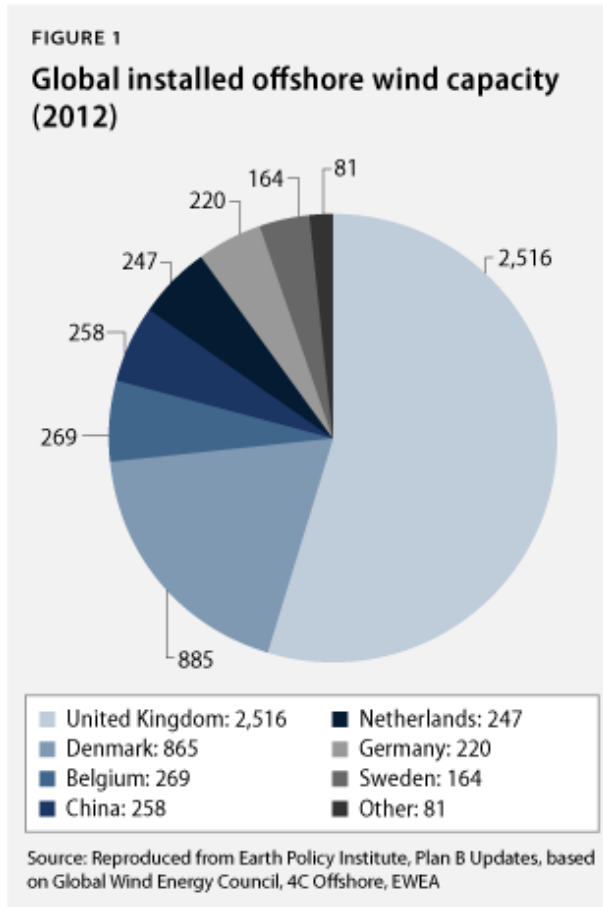
lin County, located in the northwestern panhandle, tourism in July 2010 declined by 25 percent from the previous year, according to the county's tourism bureau.⁴⁷

The Joint Ocean Commission's report also found that as of 2007, more than 85 percent of California's gross domestic product and nearly 12 million jobs derived from economic activity in the State's coastal estuarine areas. California's beaches are also vital assets to the State's economy with total value estimated between \$1.5 and \$3 billion per year.⁴⁸

Offshore Renewable Energy

Energy must unquestionably be part of America's ocean economy, but even in the energy sector, we can create tremendous growth in employment without solely prioritizing the oil and gas sector.

Countries throughout the world are embracing offshore wind energy from traditional players such as Denmark, Germany, and the United Kingdom to newcomers such as China, India, and South Korea. Countries the world over are acknowledging the economic and environmental benefits of turning sea breezes into electricity. Yet the United States has yet to install the first offshore wind turbine in our waters despite offshore wind's proven economic viability.



⁴⁷Laura Figueroa, "A year after BP oil spill, Panhandle towns seeing signs of recovery," *Tampa Bay Times*, June 6, 2011, available at <http://miami.cbslocal.com/2011/06/30/offshore-oil-drilling-not-in-florida-waters-lawmaker-says/>; Alana Semuels, "Oil skips most Florida beaches, but so do many tourists," *Los Angeles Times*, July 21, 2010, available at <http://articles.latimes.com/2010/jul/21/nation/la-na-oil-spill-florida-tourism-20100721>.

⁴⁸Joint Oceans Commission, "America's Ocean Future."

The 2008 report from the Department of Energy set a target of developing 54 gigawatts of offshore wind energy in U.S. waters by 2030—slightly more than 1 percent of the total 4,150 GW of potential energy identified in areas out to 50 miles from shore.⁴⁹ A follow-up report released in 2011 that focused exclusively on a potential offshore wind industry found that those 54 GW “would create more than 43,000 permanent operations and maintenance jobs and would require more than 1.1 million job-years to manufacture and install the turbines.”⁵⁰

Last Tuesday, June 4, the Department of the Interior began the first auction process for developers to bid on leases for a designated offshore wind area off the coast of Rhode Island and Massachusetts.⁵¹ While the results of that process will not be known for some time, it is encouraging to see the Administration moving forward with the offshore leasing process. But the fact is, offshore wind developers need certainty on the tax breaks and subsidies that will be required to grow this burgeoning industry.

Last year, Congress made offshore wind projects eligible for the investment tax credit—a critical policy. That policy will unfortunately expire at the end of 2013 unless Congress acts again to renew it. With the threat of expiration dangling over the industry, it will be extremely difficult to attract the investments required to build these projects. And since the vast majority of the cost of offshore wind energy production comes in the construction and development phase, without adequate upfront capital investment, the industry will not become viable.

The Federal Government has a long history of subsidizing energy development. The oil and gas industry has received \$442 billion in subsidies over the past 90 years,⁵² and even today it still receives about \$4 billion per year even as the five largest oil companies reported \$118 billion in profits in 2012 alone.⁵³ It is time to refocus our priorities and diversify our energy supply to truly implement an “all of the above” energy policy.

A Word About Climate Change

We ultimately cannot talk about energy production without talking about climate change. The science is clear and the facts are in. Human-induced climate change is here, it is real, and we are simply not doing enough to address it. Glaciers and Arctic ice sheets are retreating to levels never before recorded. Extreme weather events driven by warmer, moister air are pummeling the planet more than ever before. Our oceans are more acidic than they have been in tens of millions of years, threatening the very foundations of the ocean food chain. Sea levels are rising. And this past month the concentration of atmospheric carbon shot past a terrifying benchmark—400 parts per million, a level last seen between 2 million and 4 million years ago.

These are facts not theories. The National Aeronautics and Space Administration reports that “97 percent of climate scientists agree that climate-warming trends over the past century are very likely due to human activities, and most of the leading scientific organizations worldwide have issued public statements endorsing this position.”⁵⁴

If we continue down the path of unending devotion to fossil fuels, our children and grandchildren will inherit a planet that is far more volatile. Livelihoods, our food supply, and even global stability will be put at risk as the planet’s population blossoms to 9 billion people by 2050. The rising oceans are stealing our land. Volatile weather patterns will make agriculture less stable, as we have already seen in the form of epic droughts in the American Midwest and grain shortages in Russia. Less land, less food, more people; the math does not add up to a prosperous future.

⁴⁹ National Renewable Energy Laboratory, *20% Wind Energy by 2030: Increasing Wind Energy’s Contributions to the U.S. Electricity Supply* (Department of Energy, 2008), available at www.nrel.gov/docs/fy08osti/41869.pdf.

⁵⁰ Office of Energy Efficiency and Renewable Energy, *A National Offshore Wind Strategy: Creating an Offshore Wind Industry in the United States* (Department of Energy, 2011), available at http://www1.eere.energy.gov/wind/pdfs/national_offshore_wind_strategy.pdf.

⁵¹ CIT TK.

⁵² Nancy Pfund and Ben Healy, “What Would Jefferson Do?” (San Francisco: DBL Investors, 2011), available at <http://www.dblinvestors.com/documents/What-Would-Jefferson-Do-Final-Version.pdf>.

⁵³ Daniel J. Weiss and Jackie Weidman, “Speed Trap: Big Oil Profits from High Gasoline Prices” (Washington: Center for American Progress, 2013), available at <http://www.americanprogress.org/issues/green/news/2013/02/06/51967/big-oil-profits-from-high-gasoline-prices/>.

⁵⁴ National Aeronautics and Space Administration, “Consensus: 97 percent of climate scientists agree,” available at <http://climate.nasa.gov/scientific-consensus> (last accessed June 2013).

Now is the time we should be drawing the line. Rather than rushing headlong down the path to short-term profits, we have to step back and consider the long game. Smart, targeted investment in renewable energy technology is the way to a prosperous future. Perpetuating the same old policies of yesterday is a road to ruin.

Mr. LAMBORN. OK. I want to thank each of you for being here. We are going to start a round of questions now by the members of this Committee. And I will start off. And this question is directed to Mr. Felmy, Mr. Miller, and Mr. Guith.

For nearly a generation, the Gulf of Mexico was the only offshore game in the world. But not anymore. Around the world, more and more countries are making significant headway developing their own deepwater energy resources, driven largely by technology developed here in the United States. Russia's Gazprom recently announced a partnership with Shell to explore the Russian Arctic. Brazil continues to move full steam ahead with both economic and political support from President Obama.

Meanwhile, China is becoming more focused on their offshore resources, recently changing maps to propose a radical claim of most of the South China Sea. Canada already has development in the Atlantic Ocean off the coast of Nova Scotia, and has issued leases in the Arctic. Mexico has signaled interest in getting commercial development in their deepwater Gulf of Mexico, and eagerly await the approval of a Transboundary Agreement which we passed in this Committee several weeks ago. And we are not even mentioning offshore development off Africa, Israel, Japan, Australia, and other countries.

In the face of all this global development, this Administration has proposed an offshore Outer Continental Shelf plan that left 85 percent of the OCS closed to development. Do you believe that the Administration's 5-year plan includes enough leasing to make our Nation competitive with other nations, and to produce enough energy, number one? And, number two, does this bill that we are looking at today set the framework to improve the situation? And the three of you, could you please answer?

Mr. FELMY. Well, I will start. I think it does. I think, in the words of Chairman Hastings, we are missing opportunities that, if you look around the globe of where everything is being discovered around all those places, exciting and interesting places like the Falklands, for example, or other parts, we are leaving our resources in the ground. And that is a loss of opportunity, in terms of jobs, in terms of revenue, in terms of energy security.

We have known about this for a long time. This is a vast amount of resources. We will need these resources. And it is nice to talk about alternative energy sources and so on, but let's remind ourselves that electricity doesn't power cars at this point. And so we are going to need these resources, going forward.

Mr. LAMBORN. Thank you.

Mr. MILLER. You mentioned Brazil, Canada, and Africa. And just recently, Brazil had \$2 billion invested, Canada had \$2 billion invested in new leases, and west Africa is seeing lots of activity. Uruguay picked up \$1.2 billion investment last year. These are all dollars that the E&P industry is taking out of the United States to spend internationally. What we need is access to the east coast,

and then we would have some of those dollars spent in this country.

The one part of the bill that we would like to see is the eastern gulf put back into it. This one just covers the east coast, the mid and south, but there is still a lot of activity to be seen in the eastern gulf.

Mr. LAMBORN. Thank you. Mr. Guith.

Mr. GUTH. To your first question, whether or not the current Department of the Interior 5-Year Plan is enough to provide competitiveness for the United States, I would say absolutely not.

I mean as you went through the litany of places that are exploring off their coasts, I think it is important to realize that in almost every one of those instances, you were talking about a state-owned company exploring for state-owned resources. Congress loves to bring oil companies up here and berate them when prices get too high. But I think it is very important for people to understand that the real "Big Oil" is nationally owned oil companies who control over 90 percent of the proved reserves in the world. And that is who we are competing against. And by putting 86 percent of our own resources off limits, it is very difficult to compete, going into the future.

Mr. LAMBORN. Thank you. And it is also interesting, people come and they highlight the vast profits made by the oil companies, and they don't mention the vast amount of taxes paid by the oil companies, which are maybe even vaster.

Mr. Felmy, can we do the offshore production of oil and gas and yet still be environmentally responsible?

Mr. FELMY. I believe we can. If you talk about the programs that I mentioned earlier, in terms of what are approaches, in terms of prevention, intervention, and response, we have worked very hard in terms of understanding what happens in the past, and that it not be repeated.

This is a core asset of our industry, in terms of environmental performance and safety. We understand that we need to do it right, we need to do it in the context of also remembering there are tremendous opportunities.

Mr. LAMBORN. OK, thank you all for your answers. I will now recognize Mr. Lowenthal.

Excuse me, we had a wrong notation here. I apologize.

Mr. DEFAZIO. This week—I don't know what I have to do. But anyway—

Mr. LAMBORN. Representative DeFazio.

Mr. DEFAZIO. Mr. Chairman, thank you. Mr. Conathan, the Chairman just noted that the oil industry pays a vast amount of taxes. I do know they pay some taxes. But what was the recent tax rate on profits? Do you have any numbers?

Mr. CONATHAN. I apologize, Congressman. I don't have those numbers in front of me now. I will attempt to get them and supply them to you for the record. I know that my colleagues at the Center for American Progress have done a lot of work in this area, and I do know that the oil companies are actually quite adept at figuring out how to avoid paying a lot of the taxes that they—

Mr. DEFAZIO. Yes, I have seen a lot of single-digit or zero numbers for income taxes.

Mr. CONATHAN. They are lower than I pay. The rate is lower than I pay. I will put it that way.

Mr. DEFAZIO. Yes, OK.

Mr. CONATHAN. And I would also point out that we are quite good at giving them additional tax breaks, as well, on the order of about \$4 billion a year—

Mr. DEFAZIO. Right, OK, thank you.

Mr. CONATHAN [continuing]. To add to those coffers.

Mr. DEFAZIO. Mr. Felmy, you made a statement I thought was interesting, “leaving resources in the ground,” in talking about the need to expand leasing. Yet, I would note as of February 1, 2013, the industry holds drilling rights to 30 million acres offshore; 85 percent of the acreage under lease is not producing.

According to the Interior Department, the area under lease in the Gulf of Mexico, you mentioned specifically you wanted more leasing in sensitive areas near Florida, where there is a huge tourism industry, not subject to pending developments estimated to contain 17.9 billion barrels of undiscovered, technically recoverable oil, and 49.7 trillion cubic feet of natural gas.

So, very briefly, why do you need more acreage, when you haven’t developed that which you have?

Mr. FELMY. Because it is a lengthy thing you go through to develop. If you have 100 prospects, by the time you work through all the time required in terms of seismic, in terms of measurement, in terms of assessment, you may not find any oil.

Mr. DEFAZIO. OK. Well, thank you.

Mr. FELMY. The critics of it—

Mr. DEFAZIO. Thank you, thank you. That is enough, because I don’t have much time here. But the estimates are 17.9 billion barrels under these leases that have not been exploited. We have the same situation up in the former naval petroleum reserve, where there has been no development.

So, I have a question there. But let’s go to another point. We are talking about market forces here. And this is going to be more of a statement, and I will see if there is time left for a question.

But we are seeing the annual celebration by the oil industry on Memorial Day. Unfortunately, I think it is kind of unpatriotic. They jack up the prices for Memorial Day, \$.50 a gallon they went up in 2 weeks on the west coast. Now, oh, there are reasons for it. There is actually scheduled refinery shut-downs, there is unscheduled refinery shut-downs. What we have here is a refinery shortage, not an oil shortage. The oil is sitting there, waiting to be processed into gasoline. There is actually no shortage at the gas stations, no red flags, nobody is out of gas. But the price has to go up \$.50 a gallon because the industry does this every year to celebrate the beginning of the driving season, which happens to fall on Memorial Day.

Now, if this Committee and Congress wanted to do something, they would support my request to Chairman Issa of the Oversight and Government Reform Committee that he investigate what is going on with restrictions and collusion in and among the refinery capacity in this country, which is driving up prices unnecessarily.

They also might want to join me in my request to this Administration, which, unfortunately, they have ignored, as has past Ad-

ministrations, that we file a complaint against OPEC, a number of those countries are members of the World Trade Organization, for illegal collusion to drive up the price of oil.

I note as we increase production over the last 2 years, Saudi Arabia dropped it, because they want to keep the price up. That is not a free market. That is a collusive, manipulated market, which you are all going along with, because it is wildly profitable. Isn't that a sweet thing? So, I would urge Members, if they really want to do something, join me in my request to this Administration, and they file a WTO complaint against the illegal activities of those member states of OPEC that are in it.

And then, finally, last year we had testimony from the Chair of ExxonMobil, and he was being very defensive about the high prices at Memorial Day. At a Senate hearing, I think it was 2 years ago actually, he said, "Don't blame me. Blame Wall Street. It is \$.75 a gallon speculative, useless, speculative activity by non-producers, non-consumers, just Wall Street hedge funds." And I would urge people to join me in trying to reign in that market, too, and move ahead with the position limits that were in the Financial Services reform.

I mean this is not a supply shortage in the United States. We have projections of being energy-independent within 20 years without doing all the stuff we are talking about here today. We have that projection. It is about a manipulated market for profit. And I will tell you they aren't paying a hell of a lot of taxes, and I am disappointed the witness didn't have those numbers, I thought he would, on those profits. Thank you, Mr. Chairman.

Mr. LAMBORN. Representative Fleming.

Dr. FLEMING. Yes. Thank you, Mr. Chairman. First of all, let me say that this conspiratorial stuff that we have heard for decades now about the manipulation of all oil prices and all of that is aluminum hat stuff. And this has been investigated time after time after time. Oil is a commodity and it is subject to price changes, based on the market. Can't help that; that is just the way it is.

However, I will say this. As we move forward, gentlemen, toward the next decade that hopefully will be fully energy independent, we will be taking away the power of OPEC to function in a cartel, and really free the market up completely. But to suggest that somehow American oil companies are in some way manipulating prices, that has all been investigated many times.

I also have another bone to pick with my colleagues. They were complaining that the Administration is not represented here. Well, that is certainly not surprising, considering the fact that they continue, time after time, to disperse inaccurate information. Let's be clear about the facts from the May 2013 EIA report on fossil fuels from Federal lands. Federal offshore oil production is down, down, I say, 8 percent in 2012, and oil production from all Federal lands decreased to 26 percent of total U.S. production, down, down, from 31 percent in 2011.

Our colleagues keep saying that oil production is up on Federal lands, and we keep coming back with the facts. Federal offshore natural gas production was down, down, 19 percent in 2012. All the while, the Administration in 2012 closed 85 percent of our OCS re-

gions to offshore development. It comes as no surprise that they are not here to defend this terrible record.

So, really, I want to open it up to the panel in the 3 minutes or so that I have to respond to this, and also the comment that there is supposedly oil or natural gas way down deep in the earth that you have already leased. And, for heaven's sakes, gentlemen, why don't you just go and get that substance out of the ground? Please respond to that.

Mr. FELMY. If I could start, there is little reason to believe that. I find it amazing when politicians think they know where oil is, and geoscientists don't. I find this amazing. There is little reason to believe these estimates, and so on. The fact of the matter is if companies have spent billions of dollars to lease land, to develop it, and so on, the notion that they wouldn't develop it is just silly.

Dr. FLEMING. So you are telling me that it doesn't make business sense to go out and spend a lot of money to lease land and not attempt to get some return on investment, then?

Mr. FELMY. That is exactly right. And irrespective of that, what is wrong with additional leasing? The government collects money, you collect more activity, you move forward. And so, why don't we just move forward on these things where we know there is a lot of opportunity?

Dr. FLEMING. So you go where the oil is, right?

Mr. FELMY. I am just an old country boy, but I think that would be my philosophy.

Dr. FLEMING. It is empirical. Great. Anyone else like to respond?

Mr. GUITH. Yes, if I may. I mean you go where the oil is, where you are allowed to go.

Dr. FLEMING. Yes.

Mr. GUITH. I mean the Department of the Interior loves to play with statistics and mislead the public. But it is important to understand that right now, under this 5-year leasing plan, more than 86 percent of all the OCS acreage is off limits; 86 percent of what you and I, as American citizens own, has not been available for even exploration in more than 30 years.

So, when they say that X percent of what's available is open, I mean that is playing with numbers.

Dr. FLEMING. Yes.

Mr. MILLER. Just one point I would like to make is our industry needs access to acquire this seismic data off the east coast, and the BOEM is working on this programmatic EIS very slowly, but we anticipate that this may come to a record of decision in March or April of next year.

That seismic data is not going to produce oil the next year, but we need to understand what resources we have off of the east coast. And it takes years for that data to become production. The longer we wait to acquire this data, the longer it pushes that off.

Dr. FLEMING. Right.

Mr. CONATHAN. Congressman, I would just like to point out that while production was down slightly in 2012, we are still producing at higher levels than we were at the end of the Bush Administration, that there are 50 percent more oil rigs operating right now in the Gulf of Mexico than there were prior to *Deepwater Horizon*,

and we still have not codified reforms to drilling safety and operations in the aftermath of that accident.

Dr. FLEMING. Well, I can tell you I was here during and in the immediate aftermath of the Macondo incident. And I am from Louisiana. And I can tell you that what production we have, and been able to stand up, was a real battle right here in this room. So we drug the Administration, kicking and screaming, through court battles and all of that.

So, again, I am very hesitant to give the Government credit for opening up those lands. And again, remember that this massive increase in production is a function of the new technology, particularly horizontal drilling, that is going on. And so, again, while that may be benefiting us somewhat on Federal lands, it is not because of what the Administration is doing to be helpful, it is because of the advance in technology.

And with that, I yield back, Mr. Chairman. Thank you.

Mr. LAMBORN. Representative Lowenthal.

Dr. LOWENTHAL. Thank you, Mr. Chairman. I have been here just a few months, and I am starting to see a pattern. We seem to be repeating fairly fruitless exercises. And I have to ask. Why are we doing this?

Why are we continuing to spend our time looking at old, rejected ideas, ideas that don't stand a chance in the Senate, and will not be signed into law by the President? But here we are again, spending our time trying to open up more Outer Continental Shelf, the OCS lands, for oil and gas drilling off southern California and other States, and to maintain the leasing of all OCS areas over an arbitrary resource threshold. And, of course, skipping meaningful environmental review.

This is a tired strategy, one that has been rejected, and, in my opinion, is not productive. Let's just talk about one section of the bill that is of particular concern to me, since I represent the area just right near there, and that is opening up new OCS leases off southern California.

First, expanded drilling in the OCS is not supported by local Californians, nor the State itself. I just was recently speaking to my dear friend, the State Senator from that region in the California State Senate, Senator Hannah-Beth Jackson. And she wanted me to share this statement with you and the Committee. "The people of Santa Barbara County and the State of California have a long history of opposing offshore oil drilling along our magnificent coast. We vehemently oppose any further efforts to despoil our beautiful and pristine waters in the name of oil or other fossil fuels. Now is the time to wean ourselves off dirty and polluting oil, and find clean and sustainable ways to provide the energy that we need. At a time when we are seeing severe weather events throughout the Nation and the world, we should be working to reduce our use of fossil fuels, not drilling even further in our pristine waters for more of them. It would be irresponsible to allow our coast to be despoiled by such folly. Not now, not ever again."

The County of Ventura, along with the coast in these areas, has expressed its opposition to the Offshore Energy Jobs Act, stating that, "The Board of the Ventura County Supervisors believe that any additional offshore energy exploration and production will neg-

actively impact the air quality of Ventura County, harm the scenic, recreational, economic, and environmental resources, and the value of our coast, and have the potential to lead to an ecological disaster similar to what happened in the *Deepwater Horizon* explosion in 2010.” I ask that letter be placed into the record.

[The letter submitted by Dr. Lowenthal follows:]

LETTER FOR THE RECORD SUBMITTED BY THOMAS P. WALTERS TO THE
HON. ALAN S. LOWENTHAL

COUNTY OF VENTURA,
COUNTY EXECUTIVE OFFICE,
WASHINGTON, DC, JUNE 3, 2013.

The Honorable ALAN S. LOWENTHAL,
U.S. House of Representatives,
Committee on Natural Resources,
Subcommittee on Energy and Mineral Resources,
Washington, D.C. 20515.

DEAR CONGRESSMAN LOWENTHAL:

I am writing on behalf of the Ventura County Board of Supervisors to express its concerns with provisions in the draft *Offshore Energy and Jobs Act* that would allow offshore drilling in the Santa Maria and Santa Barbara! Ventura Basins.

Since 2005, the Board has opposed Federal efforts that reduce the role or authority of State and local governments in the siting and approval of offshore energy facilities or diminish the public and environmental review process. The Board also opposes time extensions of existing undeveloped offshore oil and gas leases. Furthermore, the Board believes that any additional offshore energy exploration and production will negatively impact the air quality of the Ventura County air shed, harm the scenic, recreational, economic, and environmental resource values of our coast and has the potential to lead to an ecological disaster similar to what happened to the *Deepwater Horizon* explosion in 2010.

As your Committee begins consideration of the *Offshore Energy and Jobs Act*, please take into consideration the views of the Ventura County Board of Supervisors and their constituents.

Sincerely yours,

THOMAS P. WALTERS,
Washington Representative.

Dr. LOWENTHAL. Also, in the 5-year OCS leasing program, the Bureau of Ocean Energy Management explained why the Pacific Coast States were not included for lease sales, by stating, “The exclusion of the Pacific coast is consistent with the long-standing interest of Pacific Coast States as framed in an agreement that the Governors of California, Washington, and Oregon signed in 2006. This agreement expressed the Governors’ opposition to oil and gas development off their coasts, and the States continued to voice these concerns, including in formal comments in the 2009 DPP.”

And then, there is the President. President Obama strongly opposes these measures that are contained in this bill, as evidenced when they were contained in the H.R. 6082 last Congress. As the President stated in his 2012 Statement of Administrative Policy, “H.R. 6082 would require the Department of the Interior to open up a number of new areas on the OCS. The actions would be directed without secretarial discretion to determine whether these areas are appropriate for leasing through balanced consideration of factors such as resource potential, State and local views and concerns, and the maturity of the infrastructure needed to support oil and gas development, including in the event of an oil spill. The bill would mandate OCS lease sales along the east and west coast and

elsewhere, without regard for significant issues such as State and local concerns and impacts upon important fishing areas and with an inadequate consideration.”

Yet, here we are again on this fruitless exercise, spending Congress’s time and energy on a bill that has no chance of support from local affected populations. So I don’t have a real question at this moment, but I wanted to express my frustration that we are doing this and not spending our time on issues where we can work together, on which there is some agreement on, not which the communities that are impacted feel most angry about. And maybe there are other parts of the bill that we might be able to work on together. But having this makes it impossible for me to support. Thank you, and I yield back.

Dr. WITTMAN [presiding]. Thank you, Mr. Lowenthal. We now go to Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman. All right, guys. You may not be able to see it from there, but we have got three areas with some sort of resource in them. And we are going to allow you to explore and produce from these resources. And so, we are going to offer a lease sale in this area, and you are already producing out of that area. So, you are going to invest money in a lease sale. And you know that there is a good chance there is going to be resources here, so you are going to invest your money there.

But we have got this area over here that you can’t tell from there whether it has got any resources or not. And we are going to allow you to possibly research that, or possibly produce there. But in order to find out, you are going to have to invest a heck of a lot of money to find out if there is any resource there. And we may or may not open this area up for you to produce.

Are you going to invest that money to just discover whether there might be a resource, oil or natural gas, in that area without any hope, promise, or understanding from the Government that area will ever be included in a future lease sale?

The answer is no. You are not going to invest the money that it would take to drag the seismic in the Atlantic to find out what resources may be there, without some sort of promise from the Government that is going to be included in a future lease sale. That is why it is so important to open up this area for exploration, Mr. Chairman, because the last time that seismic was drug in the Atlantic off the coast of your State or my State was in the 1980s. And that was with 1980, 20th century, 30-year-old technology, what is known as 2D technology now.

Mr. Miller, what kind of technology is there now, in the 21st century?

Mr. MILLER. The technology that industry is proposing off of the east coast, the southern and mid-section, is substantially different than what was employed at that time, in the 1980s. Industry has come a long way with the imaging of deeper targets, with longer equipment, further offsets, moving from 2D to 3D.

The investment will be there. We actually feel that the investment will increase in this area, as access is given to the E&P business. But there is too——

Mr. DUNCAN. Are you all going to spend money? And I am talking millions of dollars——

Mr. MILLER. There is——

Mr. DUNCAN. To go out off the Atlantic coast and find out whether there are resources there, without any sort of hope, promise, or certainty that area is going to be opened up at some point in time?

Mr. MILLER. That is why we are pushing the BOEM to get this programmatic EIS out, so we can acquire this data. There are two reasons right now to acquire that data. One of them is for a regional architecture of the Atlantic east coast. We are competing for dollars with west Africa, with Brazil. Everyone is trying to put this Trans-Atlantic margin together. But the missing puzzle right now is the east coast of the United States. There are companies that will license the seismic data to understand the regional geology of the east coast United States.

At the same time, the larger E&P's, they do their homework not the day before a lease sale. They do it years and years before a lease sale. So we need this data out early, and that is what we are pushing for, is to get this programmatic passed and a record of decision made on it.

Mr. DUNCAN. All right. In the Marcellus shale, in 2002, they did some seismic work and they estimated there was 1.9 trillion cubic feet of natural gas. Just recently, in 2011, a decade or so later, do you know how much the increase, projected increase, is in the Marcellus with new technology? Forty-four times greater. Forty-four times greater than what they projected was there in 2002.

So, just in a decade, changes in technology for just seismic, not necessarily the changes that we are talking about by the gentleman from Louisiana, with horizontal drilling and other ways to recover those resources.

I would say this in my last seconds here, that South Carolina, my home State, Virginia, and other areas around the country that have areas in their OCS want to see those areas opened up and offered in a lease sale. And they also want to see the royalties come back to the State at 37.5 percent that are currently available. That is what this bill does. It provides Virginia an opportunity to receive revenue back to the State. This could be used for infrastructure, the bridges and roads that we need to drive our economy, provide the jobs that the Chamber of Commerce talks about that we know result from energy exploration. South Carolina wants that, as well.

And so, I urge passage of this. I enjoyed the testimony; I look forward to hearing more of it. I yield back.

Dr. WITTMAN. Thank you, Mr. Duncan. We will now go to Mr. Garcia.

Mr. GARCIA. Good morning, gentlemen. I was intrigued by your statement, Mr. Guith, that the Department of the Interior likes to play with numbers. Right? So we are looking at some numbers here, and I just want to get an understanding.

Hasn't oil production increased in the United States?

Mr. GUITH. Not on Federal lands, no.

Mr. GARCIA. No, but oil production has increased in the United States, to the highest levels since——

Mr. GUITH. Since 1987, yes, on public and private lands. But both Federal onshore and Federal offshore have declined over the last 4 years. I mean the Federal OCS——

Mr. GARCIA. On Federal lands.

Mr. GUITH. Correct. Federal OCS and the gulf—

Mr. GARCIA. But, overall, production is up.

Mr. GUITH. Yes, on private lands and State lands.

Mr. GARCIA. Correct.

Mr. GUITH. Net.

Mr. GARCIA. Right. But we are still producing more.

Mr. GUITH. And we are still importing 50 percent of the crude that we are using in this country.

Mr. GARCIA. I wanted to check that number. Isn't oil production down almost 40 percent from our levels in 1988, I think I have got here?

Mr. GUITH. Oil production?

Mr. GARCIA. Oil importation. Isn't it down to the lowest levels that we have ever had before?

Mr. GUITH. The high-water mark was 2006, where it was roughly about 60 percent, 65 percent was imported. Now we are down to 50 percent.

Mr. GARCIA. Right. We are down to 40 percent, is what I have got.

Mr. GUITH. No, that is incorrect. Fifty percent of crude oil. Yes, it is 7.5 million barrels a day produced domestically, 7.5 million barrels a day imported.

This is the part of playing with number things, people don't always understand the difference between crude oil and crude oil as well as products. We are now a net—

Mr. GARCIA. You wouldn't argue with me that the President's strategy of all-of-the-above, which is a strategy that we can argue about, but is, in essence, a strategy that has produced, there is more oil being produced in the country. We are importing less oil than we have in the past. Right?

Mr. GUITH. Correct.

Mr. GARCIA. And that is a success, wouldn't you say?

Mr. GUITH. For the—

Mr. GARCIA. I mean because you are here, and you are upset, you are huffing and puffing, but the reality is we are making substantial gains on this, and you should be happier. But I assume you want to be angry about this. But we are headed in the right direction.

Mr. GUITH. Congressman, do you think importing 50 percent of our crude is a success? Because we at the Chamber don't.

Mr. GARCIA. No, I don't. I think having an energy policy that goes all-of-the-above, that properly distributes electricity through the country, that we use the natural resources, I would rather we didn't import anything. But I also know that we have got enough natural gas to replace most of that crude, we wouldn't need to look for it because of the huge success we have had. But thank you.

I wanted to ask Mr. Conathan. You have heard my questions. I look at these numbers and we may try to shade them our way, but I like driving as much as the next guy. I drive a Cube, which is not as efficient as it should be, but I am sure much more efficient than most. But when I look at these numbers, or at least the numbers that staff counsel has given us, or staff Committee has given us, I think we are headed in the right direction. What would you say about that?

Mr. CONATHAN. Well, I think there is no question that reduction on reliance on foreign oil is heading in the positive direction. I think there are a lot of gains that we can make in terms of demand in this country, and efficiency in this country, that will assist in that means. And the policies that the Obama Administration has implemented in terms of fuel efficiency and other standards that they have implemented since taking office have certainly moved us in that right direction and helped reduce demand, which I think is the other part of the equation.

An additional policy that would be extremely useful in this regard would be to keep oil produced on American lands and keep American oil on American soil, and reduce the ability to export oil that is produced on public land, and to keep it domestic.

Mr. GARCIA. There I disagree with you, right? This is a commodity, right? And it doesn't matter where it ends up in the same place, but I wanted to ask Mr. Miller, or, better yet, Mr. Felmy.

I am reading here that we are up 50 percent more in the Gulf of Mexico, in terms of oil production from where we were since BP. Is that correct?

Mr. FELMY. We have had an increase, because you had a virtual shut-down of the gulf in post-incident.

Mr. GARCIA. Right. Oh, so you are saying we are up 50 percent from we stopped producing?

Mr. FELMY. I am not verifying that number. I do not know that exact number, in terms of—

Mr. GARCIA. Does anyone know if that number is right or wrong?

Mr. GUTH. It is about right. I will say that if you look at the EIA data, in 2009 to 2012, Federal production in the gulf is down 10 percent. From 2009, pre-Macondo, to last year, when we had the last full data, down 10 percent, from 1.56 million barrels a day to 1.4 million barrels a day.

Now, we expect it to go up—

Mr. GARCIA. What do you account that for?

Mr. GUTH. I am sorry?

Mr. GARCIA. What—

Mr. GUTH. Well, it was the moratorium. But I mean, let's be clear here. I am not suggesting that you are, Congressman, but people play with numbers. It is clear right now that in the Gulf of Mexico, production is lower than it was 4 years ago. It is on its way up, and we are thankful to see that. But let's not say that it is up when it is not, especially when it is going up.

Mr. GARCIA. Mr. Chairman, thank you for your generosity on time. I yield back.

Mr. LAMBORN [presiding]. OK. And thank you for those good questions.

And now, a gentleman who has been very helpful to me this morning and has been very patient, Representative Wittman.

Dr. WITTMAN. Thank you, Mr. Chairman and panel members. Thank you so much for joining us. We appreciate it.

I want to begin just talking a little bit about Virginia. We heard from some other Members from other States that have said that they and their counties within the State are not in favor of offshore development. I can tell you Virginia is, in a grand bipartisan way, fully in favor of the development of our offshore energy resources.

And, as you know, we have been somewhat frustrated by Virginia not being included and at least allowing for the planning and development of those resources.

As you know, the 2012 to 2017 Outer Continental Shelf oil and gas leasing program did not include the OCS off of the east coast, which is of deep concern to us. Virginia is ready to go. I think we are perfectly situated. We are, in a bipartisan way, in favor of making sure that we develop these energy resources. We know that there is an awful lot of economic potential there. We know just there, in Virginia, there is about \$19.5 billion in economic production, and that goes to folks working, building those oil rigs, maintaining those oil rigs, tending those oil rigs, and gas production in that area.

So, we are very, very interested in seeing this effort go forward. That is why I am so happy and honored to join with Chairman Hastings in supporting and cosponsoring H.R. 2231, the Offshore Energy and Jobs Act, which we believe will get us back on track to open up the leasing there off of Virginia and the east coast, and make sure that we extend revenue-sharing to those States. I think those things are particularly important.

I want to talk a little bit about some of the concerns that you all expressed earlier. Mr. Miller, you expressed some concern about the delay that BOEM has put in place in completing the programmatic environmental impact statement for the Atlantic OCS, and their delay in issuing a record of decision. As you know, the ROD was supposed to be released in October of 2013, and now is scheduled for March of 2014. That delay is, I think, of significance.

So, I wanted to get your perspective. And how does this delay impact your planning and efforts to collect seismic data in the Atlantic? And you heard some other Members talk about it. Mr. Duncan alluded to the fact that if there is no certainty in what you can expect on the development side, how does that impact, well, all these elements. Obviously, these delays. But how do you see these decisionmaking delays impacting your efforts there in the Atlantic?

Mr. MILLER. That is a very good question. I think if we look back, the original record of decision was supposed to be March of 2013.

Dr. WITTMAN. Right.

Mr. MILLER. We have to go back. So it is continually being delayed. It looks to be on track now to get a record of decision in March or April of next year. What is delaying things further? Is there going to be new rules for us to operate on? Which we respect and we appreciate. Not knowing those until they make that record of decision is just going to delay our permitting process further, because we cannot, our industry cannot, permit these surveys until this programmatic EIS is complete, and a record of decision is made.

When we find out the rules, on the day that is announced, it may take another year before we have to file our permits through NMFS, and et cetera. Knowing that information now, we know it is in the documentation, but it can't be released, that would help speed things up. But we have to schedule vessels, we have to schedule budgets, we have to work with the E&P business that

help fund these surveys. That takes time. So that is what is causing the delays.

Dr. WITTMAN. Thank you, Mr. Miller. I do want to ask a quick question about the economic impact. Both Mr. Felmy and Mr. Guith talked about the economic impact of offshore energy development. And you spoke about, Mr. Guith, the overall numbers in the United States. I think about 240,000 jobs, direct and indirect.

Can you give me a little perspective, when you boil that down, to a State like Virginia, and what Virginia could expect, as far as economic growth or jobs or whatever metric you might have that you are comfortable with, as a result of offshore energy production there in Virginia?

Mr. GUITH. I can try. As a current Virginian, I hope to see it successfully grow.

Dr. WITTMAN. Yes.

Mr. GUITH. Or start, to begin with. But if you look comparison-wise, I mean, obviously the Gulf of Mexico is a much larger resource base than any area adjacent to any of the Mid-Atlantic States. But within the Gulf of Mexico we know that somewhere in the neighborhood of 12 percent of the entire economy is reliant upon offshore development.

So, until folks like Mr. Miller can get out there and we can tell precisely what that resource base is, and start that market going, it is difficult for anyone to tell you what sort of development is going to be there. But when you look at your friends further south, 12 percent of their economy is dependant solely upon this one function. I think it bodes well for Virginians.

Dr. WITTMAN. Very good. Thank you, Mr. Chairman. I yield back.

Mr. LAMBORN. OK, thank you. Now the gentleman from the State with the lowest unemployment in the country, Representative Cramer from North Dakota.

Mr. CRAMER. Thank you, Mr. Chairman, and thanks to all of the witnesses. And let me say I agree when I hear my friends on the other side talk about tired, old arguments. And one of those tired, old arguments is based on a different world order than the one we live in today. It is an argument based on scarcity, rather than abundance. And many of the arguments they make are not relevant in today's abundance of natural resources. And North Dakota is the evidence of that.

The other argument that I get tired of hearing about is that, "What are we all complaining about? After all, oil production is up." And let me say, on behalf of the citizens of North Dakota, you are welcome.

[Laughter.]

Mr. CRAMER. But the other argument I have grown weary of is this argument of those awful speculators, and it is one that should be put to rest.

And we have an Administration that has, without question, wants to limit supply, so that they can force reduction of demand. And they want to limit demand. I mean the President, in his State of the Union Address just this year said, "I propose we use some of our oil and gas revenues to fund an energy security trust that will drive new research and technology to shift our cars and trucks off oil for good."

Now, I don't know about you, but when we take oil and gas money to make oil and gas extinct, I am not sure how that is going to continue to be funded. So he wants to attack the demand side and he wants to attack the supply side. When the former Secretary of Energy calls for \$7 gasoline, you know that is a priority.

So, to put this topic to rest, I want to submit, Mr. Chairman, to the record this MIT study, "The Simple Economics of Commodity Price Speculation."

Mr. LAMBORN. If there is no objection, that will be submitted into the record.

[The MIT study submitted for the record by Mr. Cramer has been retained in the Committee's official files and can also be found at <http://www.nber.org/papers/w18951.pdf?new—window=1:>]

Mr. CRAMER. Now, this is one of the better things to come out of Massachusetts in quite a while. And the author's key finding was, "Although we cannot rule out that speculation had any effect on oil prices, we can indeed rule out speculation as an explanation for the sharp changes in prices since 2004. Unless one believes the price elasticities of both oil supply and demand are close to zero, the behavior of inventories and future spot spreads are simply inconsistent with the view that speculation has been a significant driver of spot prices. If anything, speculation has a slight stabilizing effect on prices." So the facts speak for themselves.

Another thing I want to get to in terms of questions, we have heard a lot about big oil. We hear about it all the time, speaking of tired, old arguments. I come from a State where people could claim that big oil is getting rich. I would like to ask each of you. Which economic class benefits most from enhanced oil production? In North Dakota, I have noticed the middle class that has done the best. We have got more people in the middle class, we have seen people move up within the middle class.

What would be your response to this, the rich-keep-getting-richer argument?

Mr. FELMY. Well, let me start with I am a native of Pennsylvania, a former dirt-poor country boy. And driving through the Marcellus right now, I see things I never saw growing up: Help Wanted signs. You had an area that was very, very poor for 100 years. And now, folks can graduate from high school with some technical training, and support a family. And that is something we have never seen before. And so, those are the first folks who benefit: the direct workers, the suppliers, all the local communities from restaurants to car dealers to everybody. It is the full community that is benefiting from it.

And it is also the retirees who happen to have their investments in those companies to support their retirement.

Mr. GUTH. Mr. Cramer, we spent some time with API and some other groups, trying to quantify the overall impact that the Unconventional Revolution up in the Bakken and elsewhere have had on this country. And perhaps the numbers that were most striking were what the average wages were in this industry throughout the country.

Say, for example, in West Virginia it is over \$97,000 a year. That is the average. I mean that is not to say that people don't make less than that, but they are making well in excess of double the

statewide average. In Pennsylvania it was about \$96,000. In North Dakota, it was about \$94,000. So these are very high-paying jobs. Many of them are very highly skilled, but don't require college degrees, and therefore present one of the only jobs markets, especially in a flagging economy.

Mr. CONATHAN. Congressman, I would say that the greatest nexus for the middle and lower class to oil production is largely what they pay at the pump, which is entirely unaffected by increases in production. Their energy costs and their cost at the pump will not go down as production increases.

I would also say that they are the ones who suffer the most from the external costs of oil production, be they pollution or increasing events of extreme weather and climate change that affect the middle and lower classes far more than the upper classes do.

Mr. FELMY. May I challenge that? That is absurd. If you look at the average gas consumers in the United States, they have seen significantly lower natural gas costs. That is an absurd statement.

Mr. GUTH. Not just natural gas, but also gasoline. I mean people are operating under the same metric of 10 years ago, that United States could never produce enough to change the price. Well, it is clear that it has, to the point where WTI has dislocated from crude to the point where we are realizing upwards of a 20 to 30 percent discount for oil paid here. And that has empirically translated into lower gasoline prices in this country than we otherwise would have had. And certainly, in comparison to other states around the world. That may very well come back into equilibrium some time in the near future. But to say that it hasn't had an impact is just patently false.

Mr. CRAMER. Thank you. Obviously, my time has expired, Mr. Chairman, and I regret that we can't get into a discussion about the difference between a subsidy for one form of energy and a deduction of expenses for another.

Mr. LAMBORN. Well, I still have a lot of questions, so let's do a very short follow-up round of, like, 3-minute questions.

And, Mr. Miller, I would like to ask you about seismic. In 1995, the USGS thought that the Bakken Formation had 151 million barrels of oil. Now we know that there is about 7.4 billion, a fiftyfold increase. You mentioned the gulf, how there has been a 500 percent increase. Do you think that this would happen in the Atlantic coast, off the Atlantic coast?

Mr. MILLER. Well, what we have seen happen in the Gulf of Mexico is with enhanced and new technology on the seismic imaging was the discovery of the lower tertiary trend, which was the very significant resource. We still don't understand completely how large it is. You can also push it back onto the shelf, where the deep gas trend is developing. So, with this new technology in a proven basin, that is where there is reserve estimates pushed upwards.

In the Eastern United States, off the eastern coast, the old data, it does not image at depth. And what we are seeing, where we work internationally in Brazil and West Coast Africa, is a deep play that they are trying to pull that same play into the east coast of the United States, but they cannot image that because there is no new data. So that is what we expect to see off the east coast

of the United States, is definitely an increase in reserves when they are able to image the deeper area—

Mr. LAMBORN. So no modern seismic has been done off the Atlantic coast.

Mr. MILLER. No, sir.

Mr. LAMBORN. And how much better is the technology today than back when it was done previously?

Mr. MILLER. I mean, the science is very similar, but the equipment that we use is leaps and bounds. I mean, if you look at the same time in 1984, that is, I think, when Motorola came out with the bag phone that some of us may have recognized we used, and now we do everything on our cell phone. It is not just the seismic, but since it is a drilling business, it is the IT business, that was also Windows version 1 was in 1984. Seismic has kept up with that technology.

Mr. LAMBORN. And along with that, from an environmental perspective, if you have better seismic and pinpoint formations better, does that reduce the environmental footprint of extraction?

Mr. MILLER. Yes, sir. We acquire a regional data set to help understand the basin architecture, and you develop your plays. And that is where the argument that we keep hearing about, “Why is every lease not drilled?” There is not oil under every lease. But seismic allows you to pinpoint the areas where the resource will be.

Mr. LAMBORN. OK. Thank you so much. Representative Cramer.

Mr. CRAMER. Thank you. I do want to explore a little bit this argument about subsidies versus deductions. And perhaps somebody can just take it from there, because I suspect you know exactly what I am talking about.

Mr. FELMY. I will start. The oil industry is accused of getting subsidies. That is certainly not true. We don't get subsidies in any way, shape, or form. We get to deduct our costs, just like every other business. And, yes, those costs are specific to oil, because we produce oil. If we produced widgets, we would be deducting costs for widgets. This is just political spin in Washington that has absolutely no basis in fact.

Mr. CONATHAN. Congressman, it is \$40 billion worth of political spin. It is not spin, it is money. It is money that the oil companies are not paying into the Federal coffers that they should be paying into the Federal coffers to provide the American people a proper return on the natural resources that we allow them to extract that belong to all of the American people.

Mr. CRAMER. Would you be surprised if it was over 50 percent, and all the taxes that the oil industry and everything related to it pays, including those service companies, income taxes, sales taxes, State taxes? Would you be surprised if it was 50 percent or more that they actually pay in to the benefit of our Government?

Mr. CONATHAN. What I know is that I received some of the numbers that Congressman DeFazio was asking for earlier. ExxonMobil paid a 13 percent tax rate last year, 13 percent. That is about a third of what I pay in taxes.

Mr. CRAMER. And you are talking about corporate income tax rate, not all the other taxes that they pay at every other level. Is that right?

Mr. CONATHAN. Federal taxes.

Mr. CRAMER. All right. So, you talked about the wind development. I cited about 1,500 megawatts of wind in North Dakota when I was an energy regulator there. And I think you state in your testimony that but for the production tax credit, there probably wouldn't be wind development. I think that is probably pretty accurate. We have seen a dramatic increase in electricity prices for those States that have mandated it, and we have built it for them and are happy to sell it to them if they are willing to pay more for it. That is up to them.

But are you suggesting that the ability of the oil industry to deduct their expenses and lower their rate, as a result of that, by the way, utilizing the capital they spend to pour back into the jobs that they create, is somehow equal to a subsidy for wind that could not possibly be built, but for that taxpayer subsidy?

Mr. CONATHAN. No——

Mr. CRAMER. Coming from the oil industry, perhaps, in many cases?

Mr. CONATHAN. Congressman, I don't think they are equal at all. I think that, in fact, an industry that is emerging and developing from zero in this country, as the oil industry got when they began their production early on, then at that time subsidies were appropriate. At this time, for the wind industry, those subsidies are appropriate, because that is how we develop an industry in this country that creates jobs and creates additional energy independence.

Mr. CRAMER. And I have supported those emerging technology subsidies. And at some point, though, we have to get off of them. We just can't, especially if it is proven to not be very efficient.

Mr. CONATHAN. Exactly. We have to get off of them for oil, but we can't get off of them for wind, because they haven't started yet.

Mr. CRAMER. That said, let me just close, Mr. Chairman, because we hear a lot about independence, in 20 years, I think Mr. DeFazio said. I prefer to be energy secure next year. Not necessarily independent, but secure. And I think that we can do that, if we stop the demagoguery and get down to business and have a discussion based on not scarcity, but abundance. Thank you, Mr. Chairman.

Mr. LAMBORN. OK, thank you. And I want to thank each member, each and every member of the panel for your helpful testimony. I have learned a lot. I think the public has learned a lot through this. We got various perspectives, and it has been very illuminating.

Members of the Committee may have additional questions for the record, and I ask that you would respond to those in writing.

If there is no further business, without objection the Committee will be in recess until further announcement.

[Whereupon, at 12:30 p.m., the Subcommittee recessed, subject to the call of the Chair.]

[Additional Material Submitted for the Record]

PREPARED STATEMENT OF THE HONORABLE EDWARD J. MARKEY, RANKING MEMBER,
COMMITTEE ON NATURAL RESOURCES

Thank you.

From Cape Cod to Cape Ann; New Bedford to Newburyport; Massachusetts fishing families are hurting. Our fishermen in Massachusetts have been pushed to the

brink by the economic disaster declared for the New England groundfish fishery last year in anticipation of severe cuts to fishing quotas for cod, haddock, and flounder.

House Republicans already turned their backs on coastal communities in the Commonwealth earlier this year when they refused to allow my amendment on the House Floor to provide millions of dollars in economic disaster assistance to fishermen and coastal communities. The bill that we are considering today from the Majority would add insult to injury by opening up Georges Bank off the coast of New England to oil drilling.

Under this legislation, New England fish stocks and their habitat would be threatened with oil spills that could wipe out the fishing industry for good. Protecting Georges Bank from drilling is critical to ensuring that efforts to rebuild and manage New England groundfish stocks are not in vain.

Georges Bank is one of our Nation's most fragile and important marine ecosystems and a key economic driver for the region. This special place is home to more than 100 species of fish and shellfish, whales, dolphins and porpoises. That is why President Obama and the Interior Department have protected Georges Bank from drilling through 2017.

But Georges Bank remains a top target of the oil and gas industry. The Majority's legislation would put Georges Bank back in the crosshairs by forcing the Interior Department to lease at least half of the waters off of New England for drilling.

In Massachusetts, the commercial fishing industry is responsible for over \$2 billion in annual income and supports more than 73,000 jobs in the State. For New England as a whole, the commercial and recreational fishing industries generate more than \$3 billion in annual income and 112,000 jobs. Georges Bank is the heart of that New England fishery.

In addition, tourism generates tens of billions of dollars every year for Massachusetts and supports more than 200,000 jobs.

We saw the devastating impact that the BP spill had on the tourism and fishing industries in the gulf. One study concluded that the total impact of the spill to the tourism industry in the Gulf States could exceed \$20 billion. At the height of the disaster, roughly 40 percent of gulf waters were closed to commercial and recreational fishing. As our economy is finally starting to recover, we can't afford to face that type of situation in New England.

Georges Bank represents a tiny fraction of the Outer Continental Shelf—less than ½ of 1 percent—but it is massively important to our region.

Georges Bank is named for Saint George, the patron saint of England, but that doesn't mean we should hand it over to British oil giant BP.

We must ensure that Georges Bank is never turned into Big Oil's Bank and that it can forever remain a home to shellfish, and not Shell Oil.

We should reject this bill and protect this important place.

I yield back the balance of my time.

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**LEGISLATIVE HEARING ON H.R. 2231, TO
AMEND THE OUTER CONTINENTAL SHELF
LANDS ACT TO INCREASE ENERGY EXPLO-
RATION AND PRODUCTION ON THE OUTER
CONTINENTAL SHELF, PROVIDE FOR
EQUITABLE REVENUE SHARING FOR ALL
COASTAL STATES, IMPLEMENT THE REOR-
GANIZATION OF THE FUNCTIONS OF THE
FORMER MINERALS MANAGEMENT SERVICE
INTO DISTINCT AND SEPARATE AGENCIES,
AND FOR OTHER PURPOSES. "OFFSHORE
ENERGY AND JOBS ACT" Part 2**

**Tuesday, June 11, 2013
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, D.C.**

The subcommittee met, pursuant to notice, at 11 a.m., in room 1324, Longworth House Office Building, Hon. Doc Hastings [Chairman of the Full Committee] presiding.

Present: Representatives Hastings, Lowenthal, Horsford and Garcia.

The CHAIRMAN. The Committee on Natural Resources will convene.

STATEMENT OF THE HON. DOC HASTINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

The CHAIRMAN. The Subcommittee on Energy and Mineral Resources is meeting again today to hear additional testimony on H.R. 2231. To amend the Outer Continental Shelf Lands Act to increase energy exploration and production on the Outer Continental Shelf, to provide for equitable revenue sharing for all Coastal States, to implement the reorganization of the functions of the Former Minerals Management Service into distinct and separate agencies, and for other purposes.

The name of the act is the Offshore Energy and Jobs Act.

This is a continuation, or part 2 of a legislating hearing that was held on June 6. And we will go straight to the witnesses. But first I want to make an announcement. One of our former colleagues, Congresswoman Barbara Vucanovich from Nevada, just recently passed away. And I would like to just make a brief announcement, considering that this is an Energy and Mineral Resources hearing. The Committee is saddened to learn that Congresswoman Barbara Vucanovich passed away yesterday after a brief illness. She served

the 2nd district of Nevada from 1983 until her retirement in 1997. Mrs. Vucanovich was the Ranking Member of this Subcommittee from 1991 through 1994, and then Chairwoman of this Subcommittee until her retirement.

Mrs. Vucanovich also served on the House Administration Committee, the Appropriations Committee, and was Secretary of the Republican Conference from 1995 until her retirement in 1997. I know everyone on the Committee will join me in offering our sincerest condolences to the family.

I would like to introduce the witnesses and have them come forward. We have Mr. Donald Boesch, who is President, University of Maryland Center for Environmental Science; Mr. Michael LeVine, who is a Pacific Senior Counsel for Oceana; Mr. Sean Dixon, who is a Coastal Policy Attorney; and Ms. Ryan Alexander, President of Taxpayers for Common Sense.

Your full statements that you have submitted to the Committee will appear in its entirety in the Committee records. And so I would like for you to keep your oral statements to 5 minutes. And the way these lights here work in front of you, when the green light is on you are doing fabulously well, when the yellow light comes on, it means you are down to 30 seconds, and then when the red light comes on, well, we usually don't go to the red light. So if you could keep your statements in that way, I would appreciate it very much.

[The prepared statement of Mr. Hastings follows:]

PREPARED STATEMENT OF THE HONORABLE DOC HASTINGS, CHAIRMAN, COMMITTEE
ON NATURAL RESOURCES

House Republicans are committed to advancing legislation that will open up new offshore areas to energy production and create new American jobs. H.R. 2231, the Offshore Energy and Jobs Act, has moved through the Committee under regular order. One week notice was given before a legislative hearing was held, as is required under House Committee rules, and both majority and minority witnesses came to testify on the bill.

While certain Members of this Committee may strongly oppose this bill, the fact remains that similar legislation has received bipartisan support both in passage out of Committee and on the House Floor last Congress.

Last year, the House of Representatives soundly rejected the President's 5-year offshore leasing plan by a bipartisan vote because it keeps 85 percent of our offshore areas off-limits. The American people and a bipartisan majority of House Members believe we need to do better—and that's exactly what this bill does.

The majority of Americans support expanded offshore energy production and this Committee will not give up on our efforts to remove government barriers that block access to our Nation's energy resources.

The CHAIRMAN. We will start now with Dr. Donald Boesch and I hope I pronounce that correctly. And you are recognized for 5 minutes.

STATEMENT OF DR. DONALD F. BOESCH, PRESIDENT, UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE, FORMER COMMISSIONER, NATIONAL COMMISSION ON THE BP DEEPWATER HORIZON OIL SPILL AND OFFSHORE DRILLING

Dr. BOESCH. Thank you, Chairman Hastings. My name is Donald Boesch. And I, in addition to being President of my unit within the University of Maryland, I served as one of the seven members of

the National Commission on the Deepwater Horizon and Oil Spill and Offshore Drilling. And it is in that perspective I am offering this testimony on House Resolution 2231.

The Oil Spill Commission delivered its report on January 2011. And our Chairman, Bob Graham and Bill Riley testified before your Committee, Mr. Hastings, and on the Commission's recommendation, shortly after that, delivering the report. Since that time, the Commission has been active and following through on recommendations, working with many actors in government and industry to improve safety of offshore drilling and monitoring what changes have taken place as a result. As a result of that, we issued a report card 2 years in a row. The latest one is here, and I would like to offer it for the record. And it helps you put this in perspective of how far we have come as a result of learning from that disaster.

The industry has done many important things, including developing a deepwater containment system, creation of a Center for Offshore Safety. The Government, the Department of the Interior, has reorganized to form the Minerals Management Service to separate safety, environmental enforcement considerations from those related to development and revenue generation, much as we had recommended. In addition, they have put many things into place to improve safety and enforcement and inspection.

We are, therefore, very pleased to see the introduction of legislation that addresses two of our other recommendations that Congress must attend to. One, reorganization of the offshore energy management structure within the Department of the Interior; and, second, establishment of a funding scheme to support the oversight of offshore energy industry. My written testimony includes our perspectives on the bill in much greater length; I will offer a brief summary.

First, with regard to restructuring regulatory oversight under title IV of the bill, the Commission recommended an even greater separation of the offshore energy management and the safety and environmental enforcement functions than was accomplished under the Department of the Interior's administrative reorganization or included in this bill. We recommended an offshore safety authority, independent, reporting directly to the Secretary and headed by an officer appointed for a fixed term that cuts across Administrations.

Specifically, the Committee recommended that the authority have primary statutory responsibility for overseeing the structure, structural or operational integrity of the offshore energy-related facilities and activities, including both oil and gas offshore drilling and renewable energy facilities.

House Resolution 2231 reduces rather than increases the separation and independence of the energy development function and the safety function compared to the present organization. The Directors of both the Bureau of Ocean Energy and Ocean Energy Safety Service under the bill would both report to the Assistant Secretary for Ocean Energy and Safety, who would be one level deeper than the present Assistant Secretary responsibility within the Department. It would, in effect, return the organizational model to the Minerals Management Service structure by placing both respon-

sibilities within an officer whose responsibility is the development of energy and minerals on the Outer Continental Shelf.

Second, with regard to ensuring adequate resources, we are very pleased to see that House Resolution 2231 addresses some of the agency funding issues that we pointed out; however, we would recommend that the proposed system be modified in several respects: Fees should pay for the entire management and oversight process, we believe, not just inspections, and would be dedicated for this purpose without requirement on annual appropriations.

Third, with regard to the expansion and acceleration of offshore leasing and development, under titles I and II, our Commission was not charged to address that issue specifically, but we did recognize that was a distinct possibility and that a new offshore areas would be opened for exploration production. However, we argue that before these areas are opened they should be carefully studied to determine their environmental sensitivity, and guide responsible planning within the region, and define a baseline. Our concern is that the time scale within this bill is not adequate for that purpose.

And fourth and finally, there are many recommendations in our report, for the Congress to act, we would urge you to take on, not the least being the liability limits under the Oil Pollution Act. We recognize it is a different Committee, but we urge you, Congress, to take this up. Thank you.

The CHAIRMAN. Thank you very much, Dr. Boesch. I hope I said it correctly. Did I say it correctly?

Dr. BOESCH. Boesch.

The CHAIRMAN. I will never remember it. I apologize for that.

Dr. BOESCH. No problem.

[The prepared statement of Dr. Boesch follows:]

PREPARED STATEMENT OF DR. DONALD F. BOESCH, PRESIDENT OF THE UNIVERSITY OF MARYLAND CENTER FOR ENVIRONMENTAL SCIENCE

I. Introduction

Chairman Hastings, Ranking Member Markey, Chairman Lamborn, Ranking Member Holt and members of the Subcommittee, my name is Donald F. Boesch, President of the University of Maryland Center for Environmental Science. I was one of seven commissioners who comprised the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. I thank you for the opportunity to testify today in respect to H.R. 2231, the Offshore Energy and Jobs Act.

The explosion that tore through the *Deepwater Horizon* drilling rig on April 20, 2010, as the rig's crew completed drilling the exploratory Macondo well deep under the waters of the Gulf of Mexico, began a human, economic, and environmental disaster.

Eleven crew members died, and others were seriously injured, as fire engulfed and ultimately destroyed the rig. And, although the Nation would not know the full scope of the disaster for weeks, the first of more than 4 million barrels of oil began gushing uncontrolled into the gulf—threatening livelihoods, the health of gulf coast residents and of those responding to the spill, precious habitats, and even a unique way of life. A treasured American landscape, already battered and degraded from years of mismanagement, faced yet another blow as the oil spread and washed ashore. Five years after Hurricane Katrina, the Nation was again transfixed, seemingly helpless, as this new tragedy unfolded in the gulf. Now, 3 years later, the costs from this one industrial accident are still not yet fully counted, but it is already clear that the impacts on the region's natural systems and people were enormous, and that economic losses will total tens of billions of dollars.

On May 22, 2010, President Barack Obama announced the creation of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (the Commission): an independent, nonpartisan entity, directed to provide thorough analysis and impartial judgment. The President charged the Commission to determine the causes of the disaster, and to improve the country's ability to respond to spills,

and to recommend reforms to make offshore energy production safer. And the President said we were to follow the facts wherever they led.

After an intense 6-month effort to fulfill the President's charge, the Commission released its final report on January 10, 2011. As a result of our investigation, we concluded:

- The explosive loss of the Macondo well could have been prevented.
- The immediate causes of the Macondo well blowout could be traced to a series of identifiable mistakes made by BP, Halliburton, and Transocean that reveal such systematic failures in risk management that they place in doubt the safety culture of the entire industry.
- Deepwater energy exploration and production, particularly at the frontiers of experience, involve risks for which neither industry nor government has been adequately prepared, but for which they can and must be prepared in the future.
- To assure human safety and environmental protection, regulatory oversight of leasing, energy exploration, and production require reforms even beyond those significant reforms the Department of the Interior (DOI) has already initiated since the *Deepwater Horizon* disaster.
- The technology, laws and regulations, and practices for containing, responding to, and cleaning up spills lag behind the real risks associated with deepwater drilling into large, high-pressure reservoirs of oil and gas located far offshore and thousands of feet below the ocean's surface. Government must close the existing gap and industry must support that effort.
- Scientific understanding of environmental conditions in sensitive environments in deep gulf waters, along the region's coastal habitats, and in areas proposed for more drilling, such as the Arctic, is inadequate. The same is true of the human and natural impacts of oil spills.

We reached these conclusions and made our recommendations in a constructive spirit. Our goal was to make American offshore energy exploration and production far safer, today and in the future.

Since we released our report, several other highly qualified committees and organizations have also completed analyses of what went wrong with the Macondo well and what should be done to protect against such a catastrophe happening again. These include the Department of the Interior—Coast Guard Joint Investigation, a National Academy of Engineering study, and even some industry analyses. We are pleased that all of these studies have supported and often reinforced the Commission's findings and recommendations.

The Commissioners, however, were not satisfied with merely issuing a report. Too many task forces and commissions, after devoting significant time and effort to their assignments, watch the value of their contribution diminish as other issues and priorities command public attention. As a group, we vowed not to let the spotlight fade from our work and elected to do what we can to advance the implementation of our recommendations so that the Nation can move forward to secure the oil off our shores in a safer, more environmentally responsible manner.

To this end, we established an Oil Spill Commission *Action* (OSCA) project to monitor progress in making offshore drilling safer and more environmentally protective, and to meet with many of the actors responsible for implementing the recommendations. On the second and third anniversaries of the explosion, OSCA issued "report cards"—the most recent was released on April 17—addressing the progress that has been made in implementing the Commission's recommendations. I have brought copies of this report for Committee members and would like to request that it be entered into the record (<http://oscaaction.org/osca-assessment-report-2013/>).

As our report cards have indicated, we have been pleased with the positive response to many of our recommendations. The oil industry, for instance, has established a Center for Offshore Safety, implementing one of our major recommendations. Similarly the Department of the Interior has implemented many of our recommendations to reduce conflicting incentives that had existed in the Minerals Management Service (MMS), and improve the efficacy of its regulatory programs. Just last month, it announced the implementation of its own Ocean Energy Safety Institute.

As noted in our report cards, however, the lack of response to many of our recommendations by Congress has largely been a disappointment. Many of the management and safety improvements should be codified and some of our recommendations, such as liability limits, are yet to be addressed.

On the positive side, Congress did pass the RESTORE Act last year which, as the Commission recommended, will channel 80 percent of the fines administered under

the Clean Water Act to restoration efforts in the gulf. We are concerned that these funds may be diverted from the purpose the Commission intended—restoring the gulf's natural ecosystems—and intend to monitor their use closely to diminish such diversions to the extent we can. The gulf has suffered serious degradation over the past decades, and the RESTORE Act provides perhaps our last opportunity to restore its natural health.

We are also pleased to see that H.R. 2231 addresses two of our other major recommendations: reorganizing the offshore energy management structure in the Department of the Interior and establishing a funding scheme to support the oversight of the offshore energy industry.

Before commenting on those elements of H.R. 2231 which are found in title IV of the proposed legislation, let me make a brief comment about titles I and II which would substantially expand the areas of the outer continental shelf being leased for oil and gas development. The Commission recognized the possibility that new offshore areas will be opened to oil and gas exploration and production. However, before these areas are opened they should be carefully studied to determine their environmental sensitivity, guide responsible planning within the region, and define a baseline against which damages caused by offshore energy development can be accurately assessed. The compressed schedules set forth in titles I and II do not seem sufficient to accommodate such a properly informed process.

II. Restructuring Regulatory Oversight

As I already indicated, DOI has administratively implemented many of the Commission's recommendations on how its offshore energy management, safety and environmental enforcement operations should be structured. However, we believe it to be very important to have the improved structure codified in legislation.

As you are aware, over the course of many years, political pressure generated by industry and a demand for lease and royalty revenues to expand access and expedite permit approvals and other regulatory processes often combined to push MMS to elevate revenue and permitting goals over safety and environmental goals. As a result, the safety of U.S. offshore workers has suffered. The United States has the highest reported rate of fatalities per hours worked in offshore oil and gas drilling among its international peers (the U.K., Norway, Canada, and Australia) but has the lowest reporting of injuries. This striking contrast suggests a significant under-reporting of injuries in the United States.

These problems were compounded by an outdated organizational structure, a chronic shortage of resources, a lack of sufficient technological expertise, and the inherent difficulty of coordinating effectively with all of the other government agencies that have had statutory responsibility for some aspect of offshore oil and gas activities. Besides MMS, the Departments of Transportation, Commerce, Defense, and Homeland Security, and the Environmental Protection Agency (EPA) were involved in some aspects of the industry and its many-faceted facilities and operations, from workers on production platforms to pipelines, helicopters, drilling rigs, and supply vessels.

To remedy this conflict of interest, we recommended that Congress create an independent agency with enforcement authority to oversee all aspects of offshore drilling safety (operational and occupational) as well as the structural and operational integrity of all offshore energy production facilities, including both oil and gas production and renewable energy production. The Department of the Interior took steps to accomplish this by the administrative creation of the Bureau of Safety and Environmental Enforcement (BSEE) separate from the Bureau of Ocean Energy Management (BOEM).

Title IV of H.R. 2231 accomplishes some of the Commission's recommendations with respect to the reorganization of the former Mineral Management Service. For instance, to a degree, it would codify the separation of the management, regulatory and revenue collection functions as the Commission recommended. We are also pleased to see that it establishes a robust training program within the new Bureau, and makes the Outer Continental Shelf Energy Safety Advisory Board a permanent advisory board.

The training program is important because of the rapid technological and environmental changes that are occurring in offshore drilling. Both the regulators and the new generation of operators will require high quality training to manage these new challenges effectively. We would expect to see many opportunities for cooperation between industrial organizations such as the Center for Offshore Safety and the regulators in providing this training.

For the same reasons, we would support the permanent establishment of an Outer Continental Shelf Energy Safety Advisory Board (which I presume is a replacement for the Ocean Energy Safety Advisory Committee that BSEE established adminis-

tratively). The regulators need this informed input in order to remain current with all the changes taking place in the industry and the appropriate manner of addressing the challenges the industry is facing and creating.

Regarding the reorganization proposed in H.R. 2231, it is instructive to compare it both to the reorganization put into place administratively by the Department of the Interior and to the Commission's recommendations. H.R. 2231 would elevate the present Assistant Secretary for Land and Minerals Management to Under Secretary for Energy, Lands, and Minerals, create a new Assistant Secretary of Ocean Energy and Safety, and establish a Bureau of Ocean Energy (BOE) and an Ocean Energy Safety Service (OESS), both reporting to the Assistant Secretary. BOE and OESS have responsibilities seemingly consistent with BOEM and BSEE, both reporting to the Assistant Secretary for Land and Minerals Management under the present administrative arrangement.

The Commission recommended an even greater separation of these management and safety and environmental enforcement functions, with an Offshore Safety Authority, reporting directly to the Secretary and headed by an officer appointed to a fixed term that cuts across any one Presidential term. Specifically, the Commission recommended that this authority have primary statutory responsibility for overseeing the structural and operational integrity of all offshore energy-related facilities and activities, including both oil and gas offshore drilling and renewable energy facilities. We recommended that Congress should enact an organic act to establish its authorities and responsibilities, consolidating the various responsibilities now under the OCSLA, the Pipeline Safety Act, and Coast Guard authorizations. This should include responsibility for all workers in energy related offshore activities. The Department of the Interior separated and consolidated such functions into BSEE, but kept this responsibility under the Assistant Secretary for Land and Minerals Management.

From the perspective of the Commission's recommendation, H.R. 2231 reduces rather than increases the separation and independence of offshore energy development and safety compared to the present administrative organization. The directors of both BOE and OESS would report to Assistant Secretary for Ocean Energy and Safety, who would be one level deeper in the organization of the Department of the Interior than under the present structure. It would be in effect a return to the organization model of the Minerals Management Service by placing both responsibilities to an officer whose responsibility is the development of energy and minerals on the Outer Continental Shelf.

The Commission also recommended the formation of a Leasing and Environmental Science Office, with responsibilities roughly analogous to the present BOEM and proposed BOE. It would be charged with fostering environmentally responsible and efficient development of the Outer Continental Shelf and would act as the leasing and resource manager for conventional renewable energy and other mineral resources on the OCS. The Office would also be responsible for conducting reviews under the National Environmental Policy Act (NEPA). The Commission further recommended that this bureau include an Office of Environmental Science, led by a Chief Environmental Scientist, with specified responsibilities in conducting all NEPA reviews, coordinating other environmental reviews, and whose expert judgment on environmental protection concerns would be accorded significant weight in leasing decision-making. Given the importance of ensuring environmental responsibility at every state of planning, leasing and development, we would urge consideration of inclusion of these functions into the statute.

We also recommended that Congress review and consider amending where necessary the governing statutes for all the agencies involved in offshore activities to be consistent with the responsibilities functionally assigned to those agencies. For example, under the Outer Continental Shelf Lands Act (OCSLA), it is up to the Secretary of the Interior to choose the proper balance between environmental protection and resource development. In making leasing decisions, the Secretary is required to solicit and consider suggestions from any interested agency, but he or she is not required to respond to the comments or accord them any particular weight. Similar issues arise at the individual lease sale stage and at the development and production plan stage. As a result, the National Oceanographic and Atmospheric Administration (NOAA)—the Nation's ocean agency with the most expertise in marine science and the management of living marine resources—effectively has the same limited role as the general public in the decisions on selecting where and when to lease portions of the OCS. The Commission recommended that Congress amend OCSLA to provide a more robust and formal interagency consultation process in which NOAA, in particular, is provided a heightened role, but ultimate decision-making authority is retained at DOI.

III. Ensuring Adequate Resources

A second major focus of the Commission's recommendations was on ensuring that there would be adequate resources available for funding effective and efficient offshore energy oversight programs and for responding to any spills that might occur.

Here we had three major recommendations:

1. Congress should enact legislation creating a mechanism for offshore oil and gas operators to provide ongoing and regular funding of the agencies regulating offshore oil and gas development.
2. Congress should significantly increase the liability cap and financial responsibility requirements for offshore facilities.
3. Congress should increase the limit on per-incident payouts from the Oil Spill Liability Trust Fund.

Funding the Government Oversight Agencies

One of the Commission's major concerns was that the agencies overseeing offshore oil exploration and production have adequate resources to accomplish their responsibilities effectively and efficiently. The agency responsible for ensuring the safety of offshore energy production cannot be expected to succeed in meaningfully overseeing the oil and gas industry if Congress does not ensure it has the resources to do so. Agencies cannot conduct the scientific and environmental research necessary to evaluate impacts of offshore development if they do not receive adequate support from Congress. In short, Congress needs to make funding the agencies regulating offshore oil and gas development a priority in order to ensure a safer and more environmentally responsible industry in the future.

The Commission strongly recommended that the oil and gas industry be required to pay for its regulators, as is the case with some other regulated industries. For instance, the fees paid by the telecommunications industry largely support the work of the Federal Communications Commission. Regulation of the oil and gas industry should no longer be funded by taxpayers but instead by the industry that is being permitted to have access to a publicly owned resource. This includes the costs of agencies such as BSEE and BOEM primarily charged with overseeing the offshore energy operations—ensuring their safety and compliance with environmental protection requirements—and also the incremental costs of other agencies such as NOAA who help in the review and oversight of offshore operations.

We are pleased to see that H.R. 2231 addresses the agency funding issue. However, we would recommend that the proposed system be modified in several respects:

(a) The fees should pay for the entire management and oversight process, not just inspections. Inspections are only one component, though of course a very important component, of an effective oversight system. Substantial resources are also necessary for research, investigation, planning, training, and the many other activities that combine to create an effective oversight program. The Commission recommended that the fees be sufficient to cover all these aspects. And this should include those activities undertaken by other agencies, not just the Department of the Interior.

(b) The fees should be dedicated to this purpose and should not require annual appropriation by Congress.

(c) We see no reason for the fees to sunset in 2022. The costs will continue well beyond that year.

(d) We recommended that the fees be based on actual costs. The amount of funding needs to keep pace as industry moves into ever-more challenging depths and geologic formations because the related challenges of regulatory oversight likewise increase. If Congress is to set the fee amounts, it should also establish a process for annually reviewing the adequacy of those fees. The annual report required in section 409 requires a thorough accounting of the fees received, but no accounting of the costs of carrying out the responsibilities the fees are intended to pay for. We would recommend that this information combined with an annual Congressional assessment of the adequacy of the fees be included in the legislation.

We note that the legislation does specify the fees that would be charged in the initial year the legislation would take effect and allows them to be adjusted based on the consumer price index for the subsequent years. We do not have the capability to judge either whether the initial fee levels are adequate or whether the consumer price index is an appropriate adjustment. As indicated above, we would recommend that the fees be adjusted to reflect actual costs rather than using some arbitrary price index.

Oil Spill Liability and Financial Responsibility Limits

Oil spills cause a range of harms, including personal, economic and environmental injuries, to individuals and ecosystems. The Oil Pollution Act makes the party responsible for a spill liable for compensating those who suffered as a result of the spill—through human health and property damage, lost profits, and other personal and economic injuries—and for restoring injured natural resources.

The Oil Pollution Act, however, imposes limits on the amount for which the responsible party is liable. It caps liability for damages from spills from offshore facilities at \$75 million unless it can be shown that the responsible party was guilty of gross negligence or willful misconduct, violated a Federal safety regulation, or failed to report the incident or cooperate with removal activities, in which case there is no limit on damages.

The Oil Pollution Act also requires responsible parties to establish and maintain evidence of financial responsibility, generally based on a worst-case discharge estimate. In the case of offshore facilities, necessary financial responsibility ranges from \$35 million to \$150 million.

In the case of the *Deepwater Horizon* spill, BP (a responsible party) placed \$20 billion in escrow to compensate private individuals and businesses through the independent Gulf Coast Claims Facility. But if a less well capitalized company had caused the spill, neither a multi-billion dollar compensation fund nor the funds necessary to restore injured resources, would likely have been available.

There are two main problems with the current liability cap and financial responsibility dollar amounts. First, the relatively modest liability cap and financial responsibility requirements provide little incentive for oil companies to improve safety practices. Second, as noted, if an oil company with more limited financial means than BP had caused the *Deepwater Horizon* spill, that company might well have declared bankruptcy long before paying fully for all damages.

Any discussion of increasing liability caps and financial responsibility requirements must balance two competing public policy concerns: first, the goal of ensuring that the risk of major spills is minimized, and in the event of a spill, victims are fully compensated; and second, that increased caps and financial responsibility requirements do not drive competent independent oil companies out of the market. A realistic policy solution also requires an understanding of the host of complex economic impacts that could result from increases to liability caps and financial responsibility requirements.

To address both the incentive and compensation concerns noted above, Congress should significantly raise the liability cap. Financial responsibility limits should also be increased, because if an oil company does not have adequate resources to pay for a spill, the application of increased liability has little effect. Should a company go bankrupt before fully compensating for a spill, its liability is effectively capped. If, however, the level of liability imposed and the level of financial responsibility required are set to levels that bear some relationship to potential damages, firms will have greater incentives to maximize prevention and minimize potential risk of oil spills and also have the financial means to ensure that victims of spills do not go uncompensated.

The Oil Spill Liability Trust Fund

The Oil Pollution Act also establishes an Oil Spill Liability Trust Fund, and provides an opportunity to make claims for compensation from this fund when the responsible party is not able to cover the legitimate claims. Claims up to \$1 billion for certain damages can be made to, and paid out of, this Trust Fund, which is currently supported by an 8-cent per-barrel tax on domestic and imported oil.

However, in the case of a large spill, the Oil Spill Liability Trust Fund would likely not provide sufficient backup. Thus, a significant portion of the injuries caused to individuals and natural resources, as well as government response costs, could go uncompensated.

Therefore, the Commission recommended that Congress increase the limit on per-incident payouts from the Oil Spill Liability Trust Fund. If liability and financial responsibility limits are not set at a level that will ensure payment of all damages for spills, then another source of funding will be required to ensure full compensation. The Federal Government could cover additional compensation costs, but this approach requires the taxpayer to foot the bill. Therefore, Congress should raise the Oil Spill Liability Trust Fund per-incident limit. Raising the Oil Spill Liability Trust Fund's per-incident limit will require the Fund to grow through an increase of the per-barrel tax on domestic and imported oil production. An alternative would be to increase the Trust Fund through a surcharge by mandatory provisions in drilling leases triggered in the event that there are inadequate sums available in the Fund.

In addition to these three areas, the Commission also recommended that Congress ensure that adequate funding is provided:

- (a) For oil spill research and development. This should be mandatory funding (not subject to the annual appropriations process);
- (b) To support a comprehensive Federal research effort to provide a foundation of scientific information on the Arctic;
- (c) To establish adequate Coast Guard response capabilities in the Arctic, based on the Coast Guard's review of current and projected gaps in capacity.

IV. Continuing Congressional Oversight

In the years between the *Exxon Valdez* spill and the spring of 2010, Congress, like much of the Nation, appeared to have developed a false sense of security about the risks of offshore oil and gas development. Congress showed its support for offshore drilling in a number of ways, but did not take any steps to mitigate the increased perils that accompany drilling in ever-deeper water or into icy Arctic seas. Until the *Deepwater Horizon* exploded, 11 rig workers lost their lives, and millions of barrels of oil spilled into the Gulf of Mexico, Congress had not introduced legislation to address the risks of deepwater drilling.

The congressional committee structure makes it much harder to focus on safety and environmental issues associated with offshore oil and gas development. In the 111th Congress, multiple committees in both chambers claimed jurisdiction over offshore energy development. The House Natural Resources Committee, for example, had jurisdiction over "mineral land laws and claims and entries thereunder" and "mineral resources of public lands." Your Subcommittee on Energy and Mineral Resources was specifically charged with oversight of "conservation and development of oil and gas resources of the Outer Continental Shelf." But the House Committee on Energy and Commerce oversaw "exploration, production, storage, supply, marketing, pricing, and regulation of energy resources, including all fossil fuels," as well "national energy policy generally." Similarly, the jurisdiction of the Senate Committee on Energy and Natural Resources included "extraction of minerals from oceans and Outer Continental Shelf lands," and its Subcommittee on Energy was responsible for oversight of "oil and natural gas regulation" generally. By contrast, the Senate Committee on Environment and Public Works claimed oversight over "environmental aspects of Outer Continental Shelf lands." Yet, none of the subcommittees of environment and public works claimed oversight specifically over OCS lands issues.

In neither the House nor the Senate are any of these committees charged with directly overseeing the safety and environmental impacts of offshore development, separate from the conflicting goal of resource development and royalties. The House Committee on Education and Labor and the Senate Committee on Health, Education, Labor, and Pensions both emphasize occupational safety and health. But neither committee appears to focus on process safety—the vital approach identified by the Commission's investigation that encompasses procedures for minimizing adverse events such as effective hazard analysis, management of risk, communication, and auditing. Finally, no oversight of any of these matters has been conducted by any of the several House or Senate committees or subcommittees responsible for the Nation's tax policies or overall appropriations process, notwithstanding the significant impact those policies and appropriations have on both the extent of energy industry activities on the OCS and the government's ability to oversee that activity effectively.

After the *Deepwater Horizon* explosion and resulting oil spill, numerous committees took an interest in offshore safety and environmental issues and held hearings. In short, it took a catastrophe to attract congressional attention. In order to avoid this problem in the future, the Commission recommended that Congress increase and maintain its awareness of the risks of offshore drilling in two ways. First, create additional congressional oversight of offshore safety and environmental risks. Second, require the appropriate congressional committees to hold an annual oversight hearing on the state of technology, application of process safety, and environmental protection to ensure these issues receive continuing congressional attention. The Commission recommended that the House and Senate Rules Committee each assign a specific committee or subcommittee to oversee process safety and environmental issues related to offshore energy development.

These committees should require the Secretary of the Interior to submit an annual public report on energy offshore development activities to the applicable congressional committees. This report should focus on the Department's progress in improving its prescriptive safety regulations; steps taken by industry and the Department to improve facility management; the Department's progress in implementing a stronger environmental assessment program, including developing improved

NEPA guidelines; and on any other steps taken by industry or the Department to address safety and environmental concerns offshore. The report should also detail the industry's safety and environmental record during the previous 12 months. Finally, the report should highlight any areas in which the Department believes industry is not doing all that it can to promote safety and the environment and any areas where additional legislation could be helpful to the Department's efforts.

These committees should also require the Department of the Interior's Office of Inspector General to submit an independent annual public report to the applicable congressional committees. The report should provide an independent description of the Offshore Safety Authority's activities over the previous 12 months, including its efforts to improve offshore safety and to investigate accidents and other significant offshore incidents. The report should also include the Inspector General's evaluation of the Authority's efforts and the Inspector General's recommendations for improvement.

V. Conclusion

Creating and implementing a national energy policy will require enormous political effort and leadership—but it would do much to direct the Nation toward a sounder economy and a safer and more sustainable environment in the decades to come. Given Americans' consumption of oil, finding and producing additional domestic supplies will be required in coming years, no matter what sensible and effective efforts are made to reduce demand—in response to economic, trade, and security considerations, and the rising challenge of climate change.

The extent to which offshore drilling contributes to augmenting that domestic supply depends on rebuilding public faith in existing offshore energy exploration and production. The Commission proposed a series of recommendations that will enable the country and the oil and gas industry to move forward on this one critical element of U.S. energy policy: continuing, safe, responsible offshore oil drilling to meet our Nation's energy demands over the next decade and beyond. Our message is clear: both government and industry must make dramatic changes to establish the high level of safety in drilling operations on the outer continental shelf that the American public has the right to expect and to demand. We will continue to encourage Congress, the executive branch, and the oil and gas industry to take the necessary steps.

The CHAIRMAN. Mr. Michael LeVine, the Pacific Senior Counsel for Oceana. You are recognized to 5 minutes.

STATEMENT OF MICHAEL LEVINE, PACIFIC SENIOR COUNSEL, OCEANA

Mr. LEVINE. Thank you, Mr. Chairman. My name is Michael LeVine. I am Pacific Senior Counsel for Oceana. Oceana is an international nonprofit organization dedicated to using science, law, and public engagement to protect and restore our oceans. Our Pacific work is headquartered in Juneau, Alaska, and, I along with nine colleagues, live and work there. I am here today on of behalf of Oceana and Alaska Wilderness League. My testimony will focus on the potential impacts of H.R. 2231 in Alaska, and in particular, in the Arctic Ocean. As the *Deepwater Horizon* accident and Shell's ill-fated efforts to drill exploration wells in the Arctic Ocean unfortunately demonstrate, there is a clear need for change in how the Government decides whether to allow industrial activities in our oceans, and, if so, under what conditions.

Unfortunately, H.R. 2231 would take us in the wrong direction. Rather than forcing the Department of the Interior to hold lease sales and limiting environmental review, we should focus on crafting a plan for our oceans and the Arctic region that balances healthy ocean ecosystems and affordable energy. Anticipated benefits must be balanced equitably against increased risks to our economy, culture, and security, important places must be protected, and

we must begin to think of these activities only as part of the needed transition to clean, renewable sources of energy.

Oceans are vibrant, important places that provide economic opportunity, food security, recreation, cultural connection and a variety of other services. The Arctic Ocean, in particular, is central to life in native communities, provides important habitat for countless species of wildlife, and plays a vital role in regulating the world's climate. The region is also threatened by rapid warming, ocean acidification, and industrialization, including the potential for off-shore oil and gas activities, shipping, and commercial fishing.

With these activities come substantial risks. A devastating oil spill is the most obvious of those risks, but even routine activities result in oil discharges, other substantial air and water pollution, and noise. These risks are particularly severe in the Arctic, where there is a dire lack of response and rescue equipment, no proven method to clean up spilled oil, and widely acknowledged lack of scientific information.

Unfortunately, Shell's unsuccessful efforts to drill exploration wells in the Chukchi and Beaufort Seas in 2012 provided a stark reminder of these risks. Shell's efforts culminated in the grounding of the Kulluk drill rig and sensitive habitat near Kodiak Island, a near disaster that put lives and our oceans at risk, and likely resulted in part from the company's desire to save \$6 million in State taxes. The Kulluk accident came after a series of mishaps and violations, including losing control of the drilling vessel; the *Noble Discoverer* in Dutch Harbor; violating the terms of its Clean Air Act permits; arguing with the Coast Guard about the safety standards to which its 40-year-barge must retrofit; and having its containment dome crushed like a beer can, according to Government observers during tests in calm waters.

As these problems make all too clear, even one of the biggest and most well-financed companies in the world is not prepared to drill in the Arctic Ocean, and our Government is not prepared to provide appropriate oversight and planning. Fundamental change clearly is needed. And the question we are discussing today is what that change will look like. H.R. 2231 would prioritize oil and gas ahead of all other uses of our oceans by requiring the Department of the Interior to offer leases on vast tracks of the Outer Continental Shelf.

We can and must do better. First, there is no need for additional leasing in the Arctic. The current 5-year leasing program already includes lease sales in the Chukchi and Beaufort Seas, and there is no reason for those sales, let alone others. As Shell clearly demonstrated, companies are not ready to explore on the leases they control already. Rather than trying to force the Department of the Interior to prioritize leasing, we should take three steps: First, better science clearly is needed. We should commit to a long-term research and monitoring program that would provide the baseline scientific information needed to identify and protect important ecological and subsistence areas, and better understand the potential effects of industrial activities.

Second, companies must be required to demonstrate that the response capabilities on which they plan to rely might actually work. Vessels, cleanup technologies, and other aspects of response plans

should be proven in Arctic waters before decisions are made to put the Arctic Ocean at risk. Third, we must more fully and fairly evaluate the risks and benefits of proposed activities. Ultimately, allowing industrial activities like oil and gas leasing, exploration and development, amounts to a tradeoff, accepting risks that are certain for benefits that may or may not outweigh them. The risks, including threats to fisheries, coastal communities, and food security, are borne by all of us.

By contrast, large companies stand to benefit the most from these activities. Offshore drilling, particularly in the Arctic Ocean, will not substantially affect the price consumers pay for gasoline, or make us substantially less dependent on foreign sources of oil. The United States simply does not have enough domestic oil to dramatically reduce its dependence on imports, much less to fill its demand. Leasing exploration or development offshore if they occur should be undertaken only as part of a broader plan that advances the needed transition to clean, renewable sources of energy.

Ultimately, we all need healthy oceans and affordable energy. The best way to meet those goals is by obtaining the basic scientific information needed to make good decisions, requiring demonstrated response capacity, and more carefully, looking at the risks and benefits to the American people of offshore drilling in remote and difficult places.

The CHAIRMAN. Thank you very much, Mr. LeVine, for your testimony.

[The prepared statement of Mr. LeVine follows:]

PREPARED STATEMENT OF MICHAEL LEVINE, PACIFIC SENIOR COUNSEL, OCEANA

Good morning, Mr. Chairman and members of the Committee. Thank you for the invitation to participate in today's hearing. My name is Michael LeVine, and I am Pacific Senior Counsel for Oceana. Oceana is an international, nonprofit, marine conservation organization dedicated to using science, law, and public engagement policy to protect the world's oceans. Our headquarters are in Washington, D.C., and we have offices in five States as well as Belgium, Belize, Spain, Denmark, and Chile. Oceana has more than 500,000 members and supporters from all 50 States and from 150 countries around the globe. Our Pacific work is headquartered in Juneau, Alaska, and, together, our Pacific staff has more than 200 years of experience working and living in Alaska. I am presenting testimony today on behalf of Oceana and Alaska Wilderness League.¹

As companies seek to explore for oil in more remote and difficult places, the Government must think carefully about how it balances anticipated benefits with increased risks and how it can ensure that decisions are based on good science, preparedness, and planning. Indeed, both the *Deepwater Horizon* accident and Shell's ill-fated efforts to drill exploration wells in the Arctic Ocean unfortunately demonstrated that decisions to prioritize expediency and profit often create significant and unnecessary risk to important ocean resources on which we depend for economic well-being, cultural connection, food security, and many other important uses. They also evidence a disturbing lack of Government oversight and substantial problems in the manner in which Government agencies have made decisions to allow offshore oil and gas activities. Change, clearly, is needed, and that change should include requirements for better science, demonstrated response capacity, and equitable balancing of risks and benefits to the American people.

¹Alaska Wilderness League is a non-profit 501(c)(3) corporation founded in 1993 to further the protection of Alaska's amazing public lands. The League is the only Washington, D.C.-based environmental group devoted full-time to protecting Alaska's wild land and waters. The League has four offices in Alaska, including an Arctic Environmental Justice Center in Anchorage that provides a base of outreach and support for members of Arctic communities who are on the front lines of the destruction from industrial development. The League's Arctic Ocean program aims to check the unbalanced and potentially destructive development of Alaska's Arctic waters.

Unfortunately, H.R. 2231, the “Offshore Energy and Jobs Act,” would prioritize oil and gas leasing above all other uses of our oceans. This “leap before you look” approach would preclude the science-based planning needed to ensure the long term health of the Arctic Ocean. Rather than forcing the Department of the Interior to hold lease sales and limiting environmental review, we should focus on crafting a plan for Arctic region that allows for healthy ocean ecosystems and affordable, clean energy. Such a plan should provide stewardship and oversight based on understanding the Arctic Ocean, including identifying and protecting Important Ecological Areas, requiring demonstrated response capabilities, and more fully and fairly balancing costs and benefits.

My testimony today will focus on the potential impacts of H.R. 2231 in Alaskan waters. I will begin with an overview of the importance of ocean resources, the changes occurring in the Arctic Ocean, the threats from proposed industrial activities, and the difficulties in managing those threats. I will then detail the problems Shell encountered in its efforts to drill exploration wells in the Arctic Ocean in 2012 and explain the broader ramifications of those failures. Finally, I will recommend ways to make better decisions about whether to allow these activities and, if so, under what conditions.

I. GOOD DECISIONS ABOUT OCEAN RESOURCES REQUIRE SCIENCE, PREPAREDNESS, AND PLANNING

Covering more than 70 percent of the world’s surface, oceans and seas are our largest public domain, and good stewardship of our ocean resources is vital to our lives and livelihoods. As the U.S. Commission on Ocean Policy stated, “the importance of our oceans, coasts, and Great Lakes cannot be overstated; they are critical to the very existence and well-being of the Nation and its people.” Similarly, President Obama wrote that “America’s stewardship of the ocean, our coasts, and the Great Lakes is intrinsically linked to environmental sustainability, human health and well-being, national prosperity, adaptation to climate and other environmental changes, social justice, international diplomacy, and national and homeland security.”

Oceans provide economic opportunity, sustenance, recreation, cultural connection, and a variety of other services. Together, recreational and commercial fisheries provide over 2 million jobs in the United States. Coastal tourism provides another 28.3 million jobs and generates \$54 billion in goods and services annually. In addition, oceans provide essential protein to nearly half the world’s population. More than 1 billion people worldwide depend on fish as a key source of protein, and wild-caught ocean fish currently provide about as much animal protein to humans as eggs do. For these reasons and others, we must not risk the long-term viability of our ocean resources by prioritizing short-term economic gains or making poorly informed decisions that could foreclose future opportunities for sustainable management.

A. *The Arctic Ocean*

These management considerations are particularly important as decisions are made for the Arctic Ocean. Despite harsh conditions, the Arctic is home to vibrant communities and healthy ecosystems. The Beaufort and Chukchi seas are central to life in coastal communities, provide important habitat for countless species of wildlife, and play a vital role in regulating the world’s climate.

Thousands of people inhabit the Arctic region of the United States, which is entirely in Alaska. The majority of these residents consider themselves to be Alaska Natives and, for many, their culture is inseparable from subsistence harvesting; sharing of food; teaching youth how to fish, hunt, and gather resources; and celebrating successful harvests. The Arctic seas are a foundation of the subsistence way of life for coastal communities, and for the villages that hunt bowhead whales, that hunt is a centerpiece of their culture.

In addition to the vibrant communities that have adapted to the top of the world, Arctic waters also support some of the world’s most iconic wildlife species, such as beluga whales, polar bears, walrus, and ice seals. The endangered bowhead, as well as beluga and gray whales spend time in these waters. Millions of birds, including more than 100 species, migrate from nearly every corner of the world to feed and nest in the Arctic each summer. More than 100 fish species live in the U.S. Arctic Ocean, including Arctic grayling, Arctic char, all five species of Pacific salmon, capelin, herring, and various species of cod and sculpin.

The Arctic region plays a critical role in the global climate system and helps shape weather patterns in the northern hemisphere. The colder Arctic is a sink for heat from the rest of the world, and the movement of heat from the tropics to the poles affects weather patterns. Storm tracks depend on the position, strength, and orientation of the jet stream, and fluctuations in polar regions affect the location

and speed of the jet stream, which affects weather patterns, especially at mid-latitudes.

B. Change: Warming, Ocean Acidification, and Industrialization

The Arctic region is changing. Climate change is resulting in substantial warming, and marine absorption of carbon dioxide is causing oceans to become more acidic. At the same time, increased industrial activity has begun in the Arctic Ocean. As the Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska explained:

The U.S. Arctic is experiencing rapid, sustained change, and those changes are expected to continue into the coming decades due to climate change, resource extraction, and increasing human activities. Terrestrial, freshwater, and marine ecosystems as well as broader environmental, cultural, and economic trends in the Arctic will be affected.

Together, these changes will have substantial effects on the people and ecosystems in the region and the world.

i. Changing Climate and Ocean Acidification

The Arctic is warming roughly twice as fast as the rest of the world. The scientific consensus is that this warming results from human-caused emissions of greenhouse gases, particularly carbon dioxide. The more rapid temperature increase in the Arctic, known as Arctic amplification, results from particular sensitivities in the region, including the presence of ice and snow.

The most prominent change in the Arctic has been the rapid loss of sea ice extent and volume. In 2012, the seasonal minimum sea ice extent in the Arctic reached a record low, and that low was only 50 percent of the average extent from 1979–2000. The loss of sea ice volume has been more dramatic. The record minimum in 2012 was only 20–30 percent of previous minimums over the satellite record. If the current trend in ice volume loss continues, the Arctic is likely to become seasonally ice-free by 2017. Climate change in the Arctic is also accompanied by stronger and more frequent storms, sea level rise, melting permafrost, and coastal erosion. The changes make subsistence hunting more difficult and dangerous, and they affect Arctic species by changing the food web and reducing the habitat of ice-dependent species such as polar bears.

The changes in the Arctic have implications for the rest of the world. Loss of sea ice cover in the fall is already associated with changing weather patterns across the northern Hemisphere with consequences for agriculture and losses of life and property from extreme weather events.

In addition to warming, carbon dioxide emissions are also causing ocean acidification. Approximately one-third of the carbon dioxide that is added to the atmosphere is absorbed by the oceans, and this absorption changes the chemistry of the seawater, making it more acidic. The Arctic is at particular risk from the effects of acidification due to its cold, low-salinity waters, which lead to increased solubility of carbon dioxide. A recent study even concluded that “Arctic marine waters are experiencing widespread and rapid ocean acidification.” These changes will fundamentally alter the Arctic Ocean ecosystems and may have substantial effects on the people and animals dependent on them.

ii. Increasing Industrial Threats

As the Arctic environment changes due to climate change and ocean acidification, melting sea ice is making the region increasingly available for industrial activities. With these activities come substantial risks for a part of the world that has remained relatively free from large-scale industrialization. These risks arise from both accidents and routine activities inherent in oil and gas exploration and development, shipping, and fishing.

We are in the second boom cycle for oil and gas in the Arctic Ocean. Companies invested billions of dollars in the 1980s and 90s purchasing leases and drilling several exploration wells. Eventually, the price of oil collapsed and, along with it, industry interest; by 2000, almost no leases were owned in the Arctic Ocean. Between 2003 and 2008, more than 3 million acres of leases were sold in the Beaufort and Chukchi seas. Netherlands-based Royal Dutch Shell owns the majority of those leases, and the company has pushed forward aggressively to drill exploration wells on those leases. As explained below, those efforts have resulted in controversy, litigation, and near-disaster. Shell and other companies have also conducted seismic surveys across the Arctic Ocean.

In addition, as sea ice continues to retreat and the demand for goods increases around the world, the number of vessels transiting the Arctic Ocean is predicted to increase. The Aleutian Islands, at the southern edge of the U.S. Arctic, are already a major shipping thoroughfare, and shipping is predicted to rapidly expand into the

Arctic Ocean. Similarly, large-scale commercial fishing has been an important economic and ecological force in the southern Bering Sea and Gulf of Alaska for several decades. There is currently no large-scale commercial fishing in the U.S. Arctic Ocean. It has been thought, however, that “[c]limate warming is likely to bring extensive fishing activity to the Arctic, particularly in the Barents Sea and Beaufort-Chukchi region where commercial operations have been minimal in the past.”

With these activities comes substantial risk. The most apparent of these risks, of course, is a catastrophic oil spill, which would have dramatic impacts on the people and wildlife in the Arctic region. While acknowledging the “limited information” available upon which to make an assessment, the Federal Government has estimated that, “[f]or a catastrophic oil spill, it is assumed that 2 entire years of Arctic marine mammal subsistence harvests and 1½ years of Bowhead whale harvests would be lost.” It has also estimated that there is a substantial likelihood of such a spill; in its 2008 Draft Environmental Impact Statement for the Chukchi and Beaufort Planning Areas, Federal regulators estimated that there is a 40 percent chance of a large spill in the Chukchi Sea and a 26 percent chance of a large spill in the Beaufort Sea.

In addition to creating the risk of dramatic impacts from a catastrophic spill, oil exploration and production activities also routinely release smaller amounts of oil, toxic muds, and other fluids into the ocean. Drilling muds, in particular, can have toxic effects in the water column. Moreover, discharges of oil are virtually guaranteed to result from routine activities. As one Shell executive made clear, “There’s no sugar-coating this, I imagine there would be spills, and no spill is OK.”

Industrial activities in the Arctic would also increase air pollution and contribute to global warming. Combustion will produce air pollutants that can cause human health problems and affect the environment. In addition, the activities would produce greenhouse gases and would emit substantial amounts of soot. The black carbon particles in soot are a particular concern in the Arctic because they contribute to a feedback loop that accelerates snow and ice-melt.

Seismic testing, exploration and production drilling, icebreaking, and vessel traffic also dramatically increase noise levels in the ocean, and this noise can have significant effects on marine mammals and other wildlife. As the National Marine Fisheries Service stated, “Marine mammals use hearing and sound transmission to perform vital life functions. Sound (hearing and vocalization/echolocation) serves four primary functions for marine mammals, including: (1) providing information about their environment; (2) communication; (3) prey detection; and (4) predator detection.” Additional noise can disrupt these functions by displacing animals from breeding and feeding habitat, causing temporary or permanent hearing loss, causing stress and other physiological responses, making it more difficult for animals to hear other, relevant sounds, and, in extreme situations, causing stranding or death.

Further, offshore oil and gas activities are massive industrial undertakings. For example, Shell’s 2012 activities in the Chukchi and Beaufort Seas included a drill rig, a drilling vessel, ice breakers, tugs, barges, other support vessels, aircraft, helicopters, and other industrial machinery. In addition to the direct impacts to the ecosystem discussed above, this large-scale industrialization more subtly affects the communities along the coast by bringing an influx of people and industry from outside the communities and outside Alaska. These changes have economic, social, and cultural impacts to Arctic communities.

iii. Management Challenges

Effective management and decision-making about industrial activities in the U.S. Arctic Ocean is hindered by a lack baseline scientific knowledge, remoteness, absence of infrastructure, and the lack of adequate and proven oil spill prevention and response technology. Together, these challenges make it difficult to understand or predict the impacts of activities, to craft appropriate mitigation, and to weigh risks.

Scientists recognize that the recent losses of sea ice during summer are fundamentally changing Arctic Ocean ecosystems, but relatively little still is known about the abundance and distribution of common species, much less how the food webs work in this region. In its analysis of the potential impacts from Lease Sale 193 in the Chukchi Sea, the Department of the Interior explicitly recognized that there is significant missing information about even the most basic parameters for every one of the largest and most conspicuous animals in the ecosystem—all fish, marine mammals and birds—which in other regions are typically the most highly studied animals of an ecosystem. The missing information for these species includes abundance, distribution, and life history. The U.S. Geological Survey (USGS) has detailed information gaps for nearly every species in the Arctic Ocean. The final report of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling echoed this sentiment, observing that the “[s]cientific understanding

of environmental conditions . . . in areas proposed for more drilling, such as the Arctic, is inadequate. The same is true of the human and natural impacts of oil spills,” as well as the impacts of routine oil and gas operations.

The lack of adequate baseline information creates a significant impediment to effective planning and preparedness. The U.S. Commission on Ocean Policy stated as a principal tenet, “Ocean managers and policy makers need comprehensive scientific information about the ocean and its environment to make wise decisions.” As the USGS explained, the gaps in information about the Arctic Ocean are a “major constraint to a defensible science framework for critical Arctic decision-making.” Similarly, an inter-agency government report addressing the need for integrated management in the Arctic noted that “scientific information and data relevant to U.S. Arctic decisions can be difficult to access and it is not clear that the scientific agenda for the U.S. Arctic adequately serves the informational needs of decision-makers.”

Despite harsh and changing conditions, progress is being made. Various private and public entities have recently started scientific research programs in the Arctic Ocean to fill some of the data gaps. For example, the Chukchi Sea Environmental Studies Program, funded by ConocoPhillips, Shell and Statoil, is a multi-year, multi-discipline marine science research program collecting information on physical oceanography, atmospheric conditions, sediments, benthic communities, plankton ecology, fish, seabirds, marine mammals, and underwater acoustics. Other entities are working to synthesize existing information. Nonetheless, there are still substantial gaps in the available information, and a comprehensive, long-term research and monitoring program is needed.

Moreover, there is no proven method to respond to spilled oil in the Arctic. Indeed, the National Commission on the BP Deepwater Horizon and Offshore Drilling found that “successful oil spill response methods from the Gulf of Mexico, or anywhere else, cannot simply be transferred to the Arctic.” The National Academy of Sciences similarly determined that “no current cleanup methods remove more than a small fraction of oil spill in marine waters, especially in the presence of broken ice.” Tests of skimmers, boom, and vessels in 2000, were characterized as a “failure,” despite calm weather. In particular, the tests showed that even though mechanical recovery is typically assumed to work in up to 30 percent ice coverage, the system only actually worked in up to 10 percent ice coverage. In August 2012, the Coast Guard conducted oil spill response tests that included the deployment of boom and the use of a skimmer designed to recover oil in pockets of water trapped by ice. The report of those exercises notes that the lack of docking facilities or ports was a challenge, that ice and fog inhibited the exercise, and that it was difficult to find berthing facilities for personnel.

Weather and other environmental conditions can be severe in the Arctic. The Arctic Ocean is covered with sea ice from approximately October through May, and the air temperature goes below freezing on nearly every day of the year. Fog, wind, and storms are common, and long hours of darkness limits visibility in the late fall and winter. These environmental conditions make operations, as well as response and rescue, difficult or impossible.

In addition, there is a significant lack of infrastructure in the U.S. Arctic. Very little response equipment is stored on the North Slope, and there are hardly any vessels there that could assist in a response effort. Senator Begich, for example, has pointed out that icebreakers are “sorely lacking” as well as Coast Guard “cutters, aircraft hangars, crew quarters, communication capabilities, deepwater ports and other infrastructure.” Characterizing the lack of infrastructure, Coast Guard Commandant Robert Papp explained that, “[t]here is nothing up there to operate from at present and we’re really starting from ground zero.” Moreover, there are not hotels or other housing capable of accommodating thousands of responders. Nor is there an easy way to move equipment or personnel from one location to another. The remoteness of the Arctic is also a substantial challenge; the nearest Coast Guard station is in Kodiak, roughly 1,000 miles from the likely locations of oil and gas exploration, and the nearest deepwater port is Dutch Harbor. Even Dutch Harbor has limited ability to service drilling vessels and house people.

II. THE 2012 DRILLING SEASON SHOWS THAT COMPANIES ARE NOT PREPARED TO DRILL IN THE ARCTIC OCEAN.

Since 2004, Shell has invested heavily pursuing oil in the Arctic Ocean. The company’s unsuccessful efforts to complete exploration wells have resulted in controversy, litigation, and, most recently, near disaster. In 2012, Shell sought to use the *Kulluk* drill rig and *Noble Discoverer* drilling vessel to drill exploration wells. Though Shell did manage to complete two top holes (the beginning of exploration

wells), it was not allowed to drill into oil-bearing zones. Along the way, the company's lack of preparedness and forethought resulted in a series of substantial mishaps:

1. Spring and early summer 2012—before the drilling season even began—Shell:
 - Backtracked on the commitment in its oil spill response plan to clean up 95 percent of a major Arctic oil spill, asserting instead that it intended only to “encounter” spilled oil, not necessarily clean it up;
 - Admitted it could not comply with the terms of the Clean Air Act permit it had negotiated over several years and received a “compliance order” from the government allowing it to exceed the established standards; and
 - Began a prolonged argument with the Coast Guard about safety standards for its 37-year-old oil spill response barge, the *Arctic Challenger*, which had been dormant since the 1990s. The barge was not certified until October.
2. July 14, 2012—On its way to the Arctic Ocean, Shell lost control of its drillship, the *Noble Discoverer*, near Dutch Harbor, and the vessel almost ran aground.
3. September 10, 2012—Shell was forced to abandon its drilling operations in the Chukchi Sea less than 24 hours after starting when an ice sheet about the size of New York City covered the drilling site.
4. September 16, 2012—Shell's oil spill containment dome failed spectacularly during sea trials off the coast of Washington State in calm seas. Government observers said that the dome was “crushed like a beer can” and “breached like a whale.”
5. November 2012—Shell delayed departure of the *Kulluk* from the Beaufort Sea due to cold and windy, but routine, arctic weather. The problems included helicopters without de-icing equipment and pilots unfamiliar with flying on Alaska's North Slope.
6. November 16, 2012—The *Noble Discoverer* suffered a loud explosion and fire while docked in Dutch Harbor on its way to Seattle.
7. November 2012—The *Noble Discoverer* was boarded by Coast Guard personnel and cited for a series of discharge and safety violations—including skimming oil from main engine piston cooling water with a “ladle and bucket.” The vessel also barely made it to Seward, where it was announced that it had suffered substantial engine damage, would not be able to sail under its own power, and would be dry towed to Asia for repairs.
8. December 21, 2012—The drill rig *Kulluk* departed Dutch Harbor under tow by a single vessel for Seattle for repairs. It was rumored at the time—and has since been confirmed—that the departure was timed at least in part to avoid a \$6 million State tax payment.
9. December 27, 2012—The *Kulluk* separated from its tow vessel in bad, but not unexpected, weather and drifted on and off for 4 days. During this time, the Coast Guard heroically rescued all 18 crew aboard the *Kulluk*. The *Kulluk* had more than 150,000 gallons of fuel on board as ballast.
10. December 31, 2012—The *Kulluk* ran aground on Sitkalidak Island, near Kodiak, Alaska.
11. January 7, 2013—The *Kulluk* was towed off the rocks and into Kiliuda Bay, approximately 45 nautical miles away. It remained there for assessment until it was towed back to Dutch Harbor (this time with three separate tow vessels) then dry-towed to Asia for repairs.
12. January 10, 2013—EPA issued two Notices of Violation—one for the *Discoverer* and the other for the *Kulluk*—making it clear that Shell violated the terms of both its original Clean Air Act permits and the negotiated “compliance order.” The notices, which identify 35 separate violations, have been referred to the Department of Justice for enforcement.

Shell's mishaps and problems resulted in a series of investigations and reports. The Department of the Interior completed a 60-day review of the drilling season in March. Violations of the Clean Air Act and discharge and safety requirements have been referred to the Department of Justice for enforcement. The Coast Guard recently completed a 2-week marine casualty hearing and will complete its investigation in coming months. Although investigations are still pending, it is abundantly clear that there are problems with both corporate actions as well Government oversight.

Shell's lack of preparedness put lives and the marine environment at substantial risk. Moreover, the response to these problems diverted Government resources and led to substantial expenditures of public funds. Even Shell's routine operations resulted in violations of air and water protections.

In light of its problems, Shell announced that it was foregoing drilling operations in 2013. ConocoPhillips and Statoil have announced they would not seek approvals for exploration drilling in 2014.

III. MOVING FORWARD, DECISIONS MUST BE BASED ON SCIENCE AND PREPAREDNESS.

As the problems encountered during the 2012 efforts to drill exploration wells make all too clear, even one of the biggest and most well-financed companies in the world is not prepared to drill in the Arctic Ocean, and Government agencies are not able to provide appropriate oversight and regulation. Fundamental reassessment and change is needed in order to allow for decisions based on sound science, preparedness, and a fair balancing of risks and benefits. Unfortunately, many of the provisions of H.R. 2231 would foreclose this path.

Indeed, H.R. 2231 seeks to require the Department of the Interior (DOI) to offer leases on vast tracts of the Outer Continental Shelf. The bill would change the manner in which DOI balances risks and benefits by prioritizing leasing irrespective of the risks it might cause. It does so without ensuring that the lease sales it mandates will result in public economic good or additional oil production that might justify the risks it seeks to impart on coastal communities.

Nor does the bill take into consideration the lease sales in the Beaufort and Chukchi seas that DOI has included in its current 2012–2017 5-Year Leasing Program. For all the reasons explained below, there is no need to hold those sales, let alone additional ones. In addition, the leases currently owned in the Chukchi and Beaufort seas were purchased more than 5 years ago. Companies have yet to complete any exploration wells on those leases.

Rather than putting a thumb on the scale in favor of drilling, we need to address the problems identified above by: (1) obtaining the basic scientific information needed to make good decisions; (2) requiring demonstrated response capacity; and (3) taking a more careful look at the risks and benefits to the American people of offshore drilling in remote and difficult places.

A long-term research and monitoring program would provide the baseline scientific information needed to better understand the potential effects of industrial activities and the measures needed to ensure protection of the marine environment. With that information, Important Ecological Areas could be better identified and protected, and more informed decisions could be made about whether and under what conditions to allow industrial activities.

Similarly, companies must be required to demonstrate that response capabilities on which they plan to rely might work. Vessels, clean-up technologies, and other aspects of response plans should be proven in Arctic waters before decisions are made to put the Arctic Ocean at risk.

Those two steps—better science and preparedness will also help more fully and fairly evaluate the risks and benefits of proposed activities. Allowing industrial activities like oil and gas leasing, exploration, and development amounts to a trade-off—accepting risks that are certain for benefits that may or may not outweigh them. The public at large bears the risks, including threats to fisheries, coastal communities, food security, and all of the other things for which we depend on oceans. By contrast, large, private companies—many of them foreign—stand to benefit the most from these activities. More than 80 percent of the leases sold in the Arctic Ocean are owned by companies based in foreign countries. In addition, subsidies, royalty relief, and other loopholes greatly reduce the payments companies make directly to the Federal Government.

Moreover, offshore drilling—particularly in the Arctic Ocean—will not substantially affect the price consumers pay for gasoline. Nor will it make us substantially less dependent on foreign sources of oil. The United States currently imports roughly 62 percent of our crude oil, most of it from Canada and Mexico. The Department of Energy estimates that even if we opened all offshore areas to drilling, the United States would still import about 58 percent of its oil supply. The United States simply does not have enough domestic oil to reduce its dependence on imports, much less to fulfill its demand.

For similar reasons, increasing offshore leasing—as H.R. 2231 attempts to do—will not increase national security. In fact, it is possible that national security needs will be more effectively protected by leaving large reservoirs of oil in the ground until other, cheaper sources are exhausted. Moreover, increasing offshore oil and gas activities threatens the economic benefits and food security provided by fisheries and other uses of our oceans.

It is important to put the situation in the proper context. More than 90 percent of the world's oil and gas reserves have been nationalized by the countries that control them. As a result, the opportunities for large, multi-national corporations have

become substantially narrower. The push to develop in the U.S. Arctic results in part from these incentives, which are not necessarily congruent with our national interests.

Moreover, these oil and gas resources are finite. It is widely recognized that we, as a society, must transition away from fossil fuels and toward renewable sources of energy. Leasing, exploration, or development offshore—if it occurs—should be undertaken only with clear recognition that this transition to renewables is necessary and only as part of a broader plan that advances that transition.

Ultimately, we need to make careful decisions about whether to allow these types of activities and, if so, under what conditions. As Dr. Jeffrey Short, one of the world's experts on the impacts of oil spills, stated in his testimony before the Senate Energy Committee in November 2009:

Oil development proposals in the marine environment are often presented and discussed as engineering challenges, without sufficient regard for the complexity of the environment in which they would occur, or the often dubious assumptions implicit in assessments of environmental risks and cleanup and mitigation technologies. Oil spill contingency plans are treated as exercises in damage control, taking for granted that not all damage can be controlled, and based on the faulty assumption all potential outcomes are adequately understood, predictable, and manageable.

In other words, we can and must make better informed decisions about whether to allow these activities and, if so, under what conditions.

IV. CONCLUSION

As we consider any industrial activities in the ocean—oil and gas, shipping, fishing, alternative energy development—our first step should be to understand and protect the marine environment and those dependent on it. Once we better understand the ecosystem and what steps can be taken to protect it, we can better balance risks and benefits and, therefore, make better decisions about whether and under what conditions to allow industrial activities.

The CHAIRMAN. And now I will recognize Mr. Sean Dixon, who is a Coastal Policy Attorney for Clean Ocean Action. You are recognized for 5 minutes.

STATEMENT OF SEAN DIXON, COASTAL POLICY ATTORNEY, CLEAN OCEAN ACTION

Mr. DIXON. Thank you, Mr. Chairman. My name is Sean Dixon. I am the Coastal Policy Attorney at Clean Ocean Action. We are a broad-based coalition, representing over 125 diverse organizations in the greater New York, New Jersey region, working to protect and improve the water quality of the Atlantic Ocean and the New York, New Jersey bite. Over the past 30 years, Clean Ocean Action has worked to protect marine water quality, beaches, and the people that depend on clean ocean economies from the mistakes of the past while educating the next generation of ocean stewards. The waters of the Mid-Atlantic Ocean were once known as the ocean dumping capital of the world. These waters were home to acid wastes, municipal wastes, medical waste dumpsites, and hazardous material dumpsites, and really a day at the beach for many years was anything but relaxing. Citizen action and decades of bipartisan efforts by members of this Committee and their predecessors has turned the tide against that pollution. Today, the Atlantic Ocean is home to billion dollar economies that support millions of jobs despite the absence of offshore oil drilling. This hard-won success story, a robust economy free of fossil fuel, industrialization, brings Clean Ocean Action to the Offshore Energy and Jobs Act. We have submitted written testimony to H.R. 2231, and are grateful for the opportunity to briefly focus on the communities of

the coast that will be affected by this proposed legislation, specifically, the multigenerational communities and committees that the jobs and ecologies of the Atlantic Ocean rely upon.

Unlike the general portrayal of offshore oil and gas risk, the devil is not only in the drilling risk. Impacts from non-point sourced pollution, air emissions, construction and decommissioning, coastal crowding, pipeline installation, and most significantly, and most immediately, seismic surveys, all impact coastal economies and ecologies through affecting long-term resiliency of the communities for the coastline.

The Mid-Atlantic Fishery Management Council, which is federally tasked with ensuring that sustainable fisheries are present throughout the entire Mid-Atlantic region, in a letter to BOEM regarding the currently pending proposed program for seismic surveys, stated that the activities would threaten the 166,000 jobs, \$6 billion in associated income generated from those Mid-Atlantic Fishery Management Council managed fisheries. In sales alone, the New York and New Jersey commercial fisheries generated over \$11 billion in 2011. These fishermen come from multi-generational families, own their own boats, and cooperatively own their own dock shore-side facilities. These fishermen remember when acid waste dumpsites ruined decades of fishing, they remember when seismic surveys in the 1970s and 1980s created fish kills and scattered the fish populations. These fishermen remember when their neighbors couldn't operate boardwalk bars, beach clubs, and restaurants because the industrial pollution scared away all the tourists.

They remember also Hurricane Sandy and Irene, where record waves and storm surge left the shore devastated and the industries in the coastal zone battered. It is important to note that hurricanes eat oil and gas facilities. There is no safe place in the ocean when you have something like Superstorm Sandy bearing down on a coast.

In New Jersey, almost two-thirds of the State's \$38 billion economy is driven by coastal tourism. In Virginia, tourism employs 200,000 people. And in Florida, tourism wildlife supports 2.2 million jobs. These people, employed and working hard to bring us fish and to keep our beaches clean, have jobs worth fighting for. Oil expansion into the Atlantic would put these hardworking families and the ecosystem that supports them in grave danger. This search for oil is a risk for the entire coast.

Moreover, with recovery from Superstorm Sandy still underway, with global financial crisis still slogging along, and with climate change rising our seas and flooding our estuaries, the last thing the people of the Atlantic Ocean need is the lifecycle of pollution that would be generated from offshore oil drilling.

Fishermen don't want seismically stunned seafood, boardwalk businesses don't want to go back to beaches that were empty and closures that left their tables without customers. Tourists don't want to wash tar balls off of their towels and have to slog through medical waste. Because this act opens up the Atlantic to offshore oil drilling, eliminates vital environmental and economic impact evaluations from drilling decisionmaking, and drives U.S. energy policy down the wrong road, on behalf of the 125 organizations and

businesses of the Clean Ocean Action collation and the citizens that depend on clean ocean economies, I urge that this bill not be released from Committee. Thank you.

The CHAIRMAN. Thank you very much, Mr. Dixon, for your statement.

[The prepared statement of Mr. Dixon follows:]

PREPARED STATEMENT OF SEAN DIXON, COASTAL POLICY ATTORNEY, CLEAN OCEAN ACTION

Chairman Lamborn, Ranking Member Holt, and members of the Committee, thank you for inviting me here today to testify on H.R. 2231, the *Offshore Energy and Jobs Act*. My name is Sean Dixon, and I am the Coastal Policy Attorney at Clean Ocean Action.

Headquartered at Historic Fort Hancock, on Sandy Hook, New Jersey, Clean Ocean Action is a broad-based coalition representing over 135 boating, business, community, conservation, diving, environmental, fishing, religious, service, student, surfing, and women's organizations in the New York/New Jersey region. Clean Ocean Action's goal is to improve and protect the water quality of the coastal and marine waters of the New Jersey/New York region using science, law, research, education, and citizen action.

I. Introduction

Clean Ocean Action (COA) has spent almost 30 years working to cleaning up the costly decisions of the past where our ocean was seen as a dumping ground of immeasurable capacity and an open canvas for industrialization. Fortunately, the ocean is now seen as the ecological, economic, and social keystone that it is. On the beach, in the waves, and along the boardwalk, coastal business-owners, tourists, residents, fishermen, and ocean advocates of all stripes are cognizant of the connection between a clean ocean and a robust coastal economy. However, without safe water there are no swimmers or surfers, without healthy estuaries, there are no fish, without clean beaches, there are no beachgoers, and without all of those qualities, there is no coastal economy.

The Government's current OCS Five-Year Plan, while allowing access to more than 75 percent of the estimated undiscovered, technically recoverable oil and gas resources on the U.S. Outer Continental Shelf, does not allow OCS oil and gas activities in the Atlantic Ocean.¹

H.R. 2231 puts coastal jobs and economies at risk by:

- Immediately opening the Atlantic Ocean to offshore oil and gas drilling;
- Driving U.S. energy policy toward a less resilient, less secure future; and
- Eliminating the “no action alternative” from environmental impact assessments, thereby barring from consideration the environmental and economic benefits of an oil-drilling-free ocean.

For these, and the following reasons, Clean Ocean Action opposes the *Offshore Energy and Jobs Act of 2013*.

II. Seismic Surveys Pose an Immediate Threat to Coastal Economies

On March 30, 2012, the Bureau of Ocean Energy Management (BOEM) issued a Draft Programmatic Environmental Impact Statement (Draft PEIS) for geological and geophysical exploration on the Atlantic Ocean Outer Continental Shelf.² According to BOEM, these surveys, to be conducted “in Federal waters of the Mid- and South Atlantic Outer Continental Shelf (OCS) and adjacent State waters,”³ are needed “to make informed business decisions regarding oil and gas reserves” and for other purported goals.⁴

This past January, in a letter to President Barack Obama, the late Senator Lautenberg was joined by seven of his coastal colleagues in decrying these proposed sur-

¹U.S. Department of the Interior. “Secretary Salazar announces 2012–2017 offshore oil and gas development program.” November 8, 2011 (available at <http://www.doi.gov/news/pressreleases/Secretary-Salazar-Announces-2012-2017-Offshore-Oil-and-Gas-Development-Program.cfm>).

²77 Fed. Reg. 19,321 (March 30, 2012).

³<http://www.boem.gov/Oil-and-Gas-Energy-Program/GOMR/GandG.aspx>.

⁴*Id.*

veys, warning that the proposed seismic testing will “hurt our coastal communities and the marine resources that drive our coastal economy.”⁵

The Senators, representing the citizens of California, Maryland, New Jersey, Rhode Island, Vermont, and Washington, took issue with the currently pending seismic proposals for three reasons.

First, the most obvious: seismic surveys are only necessary for oil and gas drilling.

“Seismic airgun testing is used to explore for offshore oil and gas resources. Allowing this activity in the Atlantic Ocean is clearly a step towards permitting dangerous offshore drilling. . . . Even those the proposed seismic testing would only span from Delaware to the middle of Florida, a significant oil spill in the Atlantic Ocean would harm . . . fisheries, and sea life all along the Atlantic Coast. **In particular, it would decimate the region’s robust tourism economy, which relies on clean and safe beaches.**”⁶

Second, the Senators warned of the direct, known, and significant impact these surveys will have on marine mammals—many of which are critically endangered yet still support significant tourism economies and are keystone species in their coastal habitats.

“These loud airgun blasts can be heard for hundreds of miles in the ocean and, as a result, can drive whales to abandon their habitats, go silent, and cease foraging over vast areas. At shorter distances, it can cause permanent hearing loss, injury, and even death for whales, dolphins, and fish. According to the Department of the Interior’s (DOI) own estimates, seismic testing would injure up to 138,500 marine mammals, and disrupt marine mammal feeding, calving, breeding, and other vital activities.”⁷

Finally, fisheries will be significantly impacted by these surveys.

“[A]irgun noise has been shown to decrease fisheries catch rates by 40 to 80 percent, forcing fishermen to seek compensation for their losses. Since commercial and recreational fishing off the Mid- and Southeast Atlantic generates \$11.8 billion annually and supports 222,000 jobs, we are concerned that DOI did not take these economics impacts into account when assessing the proposed plan for seismic testing.”⁸

At a June, 2012, meeting of the Mid Atlantic Fishery Management Council (MAFMC), held in New York City, BOEM made a presentation on these proposed surveys that highlighted the potential for seismic surveys to impact clean coastal economies. During the presentation, BOEM scientist Dr. Jill Lewandowski noted that “that there is cross-over between the frequency of noise that is produced by seismic surveys and what at least many of the fish species we think can hear.”⁹ This can lead to a variety of effects, according to the presentation, from “no effect to habituation to a change in behavior;” the airguns might “mask some of [a fish’s] important cues,” could “go to hearing loss” or cause “other physiological effects that maybe don’t result in mortality but could be sublethal.”¹⁰

The BOEM conclusion on the state of science as to how seismic surveys impact fish and fisheries was concise: “there’s really not much at all.”¹¹

After hearings on the issue, with input from BOEM, other scientists, fishermen, and the public, the Mid-Atlantic Fishery Management Council found that there is a 50-meter lethal zone around each airgun blast; that while highly-mobile fish may escape this zone, “the extensive (months long) survey timeframe makes it likely that prolonged avoidance of the arrays will be necessary and could lead to interruptions in fish spawning and access to forage;” and that much of the OCS is at a depth less

⁵Letter to President Barack Obama by U.S. Senators Frank R. Lautenberg (D–NJ), Sheldon Whitehouse (D–RI), Patrick Leahy (D–VT), Robert Menendez (D–NJ), Benjamin Cardin (D–MD), Barbara Mikulski (D–MD), Barbara Boxer (D–CA), and Maria Cantwell (D–WA), January 30, 2013 (available at <http://www.lautenberg.senate.gov/assets/seismic.pdf>).

⁶*Id.* (emphasis added).

⁷*Id.*

⁸*Id.* (emphasis added).

⁹Minutes, MAFMC Meeting, New York, NY, June 11, 2012 (Available at http://static.squarespace.com/static/511cdc7fe4b00307a2628ac6/t/51657e74e4b0f2e667ba2341/1365606004639/Council%20Minutes_June%2012_14_2012.pdf).

¹⁰*Id.*

¹¹*Id.*

than 50 meters, which would “place the entire water column within the ‘lethal range’ of the array.”¹²

These concerns were shared by many other government and non-government organizations, including the State of Delaware Department of Natural Resources and Environmental Control, which expressed concern that these proposed seismic surveys, and the oil operations that follow thereafter “would be catastrophic for our State economy” and that “[e]ven with the mitigation and monitoring measures outlined in the PEIS, significant adverse environmental impacts will still likely result from seismic airgun surveys.”¹³

Based on this input, the MAFMC concluded:

“It is clear that G&G activities have substantial impacts on marine environments, yet the Draft PEIS provides insufficient information about how the specific proposed G&G activities may affect fish, marine mammals, benthic communities, and ecosystem structure and function. We understand that these impacts are difficult to predict or quantify, but given the existing value of marine resources to the region and the Nation, it is clear that the potential benefits do not outweigh the risks of initiating the proposed G&G activities at this point.”¹⁴

Because the MAFMC found that the seismic surveys could threaten the “more than 166,000 jobs with an associated income exceeding \$6 billion” within the Mid Atlantic Ocean, the Council resolved that it “cannot support the Draft PEIS.”¹⁵

Seismic surveys, which are just the first step in OCS oil and gas development, have significant impacts on fish, fisheries, and wildlife, and pose a direct threat to fishery jobs, coastal ecosystems, and coastal economies.

III. The Atlantic is No Place for Offshore Oil and Gas Activities

Only a few weeks ago, on May 24, 2013, six representatives of Atlantic Ocean States, representing coastal districts (and the existing businesses, people, economies and ecologies therein), as well as inland districts whose residents no doubt rely on a clean coast for state-wide economic benefit and for tourism, recreation, and employment, sent a letter to Secretary Jewell cautioning her on expansion of oil and gas operations into the Atlantic:

“OCS drilling is, in fact, quite controversial in our States because of its potential adverse impacts both on the environment and on our coastal communities and the tourism economy on which they depend.”¹⁶

The Congressmen continued, noting that “the risks of drilling in this sensitive region outweigh the benefits.” Indeed, the Congressmen urge the Secretary to turn away from offshore drilling and “towards a clean energy economy.”¹⁷

This ideal is backed up by economic fact: three times as many jobs are created by clean energy investments than with continued investments in reliance on fossil fuels.¹⁸

This sentiment has been echoed in of New Jersey and New York for decades with bi-partisan support. Indeed, since Governor Kean’s administration, every New Jersey Governor has opposed offshore drilling, especially where New Jersey would be at risk. Moreover, for decades, nearly the entire New Jersey Congressional delegation has opposed legislation to expand offshore drilling into the Atlantic.

¹²Mid-Atlantic Fishery Management Council Comments on Draft PEIS, June 29, 2012 (available at http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/GOMR/AtIGGCommentsFedStaLoc.pdf).

¹³Delaware Department of Natural Resources and Environmental Control Comments on Draft PEIS, May 30, 2013 (available at http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/GOMR/AtIGGCommentsFedStaLoc.pdf).

¹⁴Mid-Atlantic Fishery Management Council Comments on Draft PEIS, June 29, 2012 (available at http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/GOMR/AtIGGCommentsFedStaLoc.pdf).

¹⁵*Id.*

¹⁶Letter to Secretary of the Interior Sally Jewell by Virginia Representatives Robert C. “Bobby” Scott, Jim Moran and Gerald E. Connolly; South Carolina Representative James E. Clyburn; and North Carolina Representatives David Price and Melvin L. Watt, May 24, 2013 (available at <http://www.newsobserver.com/2013/05/31/2928854/6-congressmen-oppose-atlantic.html>).

¹⁷*Id.*

¹⁸http://www.peri.umass.edu/fileadmin/pdf/other_publication_types/green_economics/economic_benefits/economic_benefits.PDF.

“The Jersey Shore has been known for our boardwalks, rolling surf and ocean breezes. But now some are talking about adding oil rigs to that list. We say no way,” said the late Senator Lautenberg, in 2006.¹⁹

Senator Robert Menendez joined his colleague in declaring that the Jersey Shore “is far too precious and important to allow oil-crazed speculators to set-up shop along our coast.”²⁰ According to a New Jersey Department of Tourism study, about 60 percent of New Jersey’s \$35.5 billion tourism industry is generated at the shore.²¹

Across the greater New York/New Jersey region, the economic value of the clean ocean economy is unquestionable:

- The Port of New York and New Jersey, largest in the Atlantic, lies at the top of the Mid-Atlantic and saw over \$208 billion in cargo,²² over 5.5 million cargo containers, and over 86 million tons of goods move into and out of the Port.²³
- The Port Authority, which manages the Port, estimates that the Port’s economic impact supports over 279,000 jobs in the region.²⁴
- In New York State, the “recreational fishing industry generated \$369 million in sales, contributed \$212 million to gross state product, and supported 3,000 jobs across the broader State economy” in 2011.²⁵ Commercially, New York’s 2011 fisheries “generated \$5 billion in sales, contributed \$1.8 billion to gross state product, and supported 42,000 jobs across the broader economy.”²⁶
- In New Jersey, in 2011, “the commercial fishing industry generated \$6.6 billion in sales, contributed \$2.4 billion to gross state product and supported 44,000 jobs across the broader State economy”²⁷ while recreational fisheries “generated \$1.7 billion in sales, contributed \$871 million to gross state product and supported 10,000 jobs.”²⁸

The NY/NJ Port and fisheries impacts, therefore, contributed (during a recession) over \$220 billion in sales and cargo while supporting over 300,000 jobs.

States across the Atlantic coast have similar statistics and their economists would tell similar stories. For example, this committee heard testimony last week of a recent analysis showing Virginia’s 2011 tourism industry supports more than 200,000 jobs, yielding an economic impact of more than \$20 billion,²⁹ and data from Florida showing that the tourism, wildlife, fisheries, ports, and defense-related industries generate more than \$175 billion in economic benefits and over 2.2 million jobs annually.³⁰

These industries are not simply elements of the coastal economy—they are the drivers of the coastal economy. Yet, we are here today to speak to the expansion of oil and gas operations—operations which, in the Atlantic Ocean, would threaten these keystone elements of the coastal economy while only yielding U.S. consumers a three-cent (\$0.03) reduction in the “price at the pump” 10–15 years from now.³¹

¹⁹ Press Release: “New Jersey Lawmakers Vow to Stop Republican Attempts to Open Up Oil Drilling off Jersey Shore.” July 14, 2006 (available at <http://www.lautenberg.senate.gov/newsroom/record.cfm?id=258641&>).

²⁰ *Id.*

²¹ <http://www.visitnj.org/sites/visitnj.org/files/2010-tourism-ecom-impact-prelim-3-23-2011-2.pdf>.

²² Trade Statistics of the Port of New York and New Jersey, 2011, at 1. The Port Authority of NY & NJ (available at <http://www.panynj.gov/port/pdf/port-trade-statistics-bar-C2c-2011.pdf>).

²³ *Id.*

²⁴ Regional Economic Benefits of the Port Authority of NY & NJ (available at <http://www.panynj.gov/port/regional-economic-benefits.html>).

²⁵ Regional Impact Evaluation; An Initial Assessment of the Economic Impacts of Sandy on New Jersey and New York Commercial and Recreational Fishing Sectors, at 1–2 (hereinafter “Sandy Report”). NOAA Fisheries, Office of Science & Technology and Northeast Fisheries Science Center, March 15, 2013 (available at http://www.st.nmfs.noaa.gov/Assets/economics/documents/sandy/Final_Report_Sandy_Regional_Impact_Evaluation_MSA.pdf).

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ PricewaterhouseCoopers, “Virginia State Tourism Plan” (2013) (available at http://www.vatc.org/uploadedFiles/Partnership_Alliance_Marketing/VirginiaStateTourismPlanVTC3292013.pdf).

³⁰ Mitch Stacy, “Florida tourism rebounds in 2011, overseas visits up,” USA Today, December 30, 2011, (available at <http://travel.usatoday.com/destinations/story/2011-12-31/Florida-tourism-rebounds-in-2011-overseas-visits-up/52295150/1>).

³¹ EIA, Impacts of Increased Access to Oil and Natural Gas Resources in the Lower 48 Federal Outer Continental Shelf AEO 2007 (available at <http://www.eia.gov/oiaf/aeo/otheranalysis/ongr.html>).

IV. A Note on Superstorm Sandy

In addition to the human, social, and economic toll that Hurricanes Rita and Katrina took on the Nation in 2005, those disasters triggered 125 known Gulf of Mexico oil spills (totaling over 16,000 barrels of oil),³² destroyed 115 gulf petroleum production platforms, and damaged 457 sea-to-shore pipelines.³³ Hurricanes pose similar threats in the Atlantic Ocean, and oil and gas drilling along the eastern seaboard would be just as vulnerable as along the gulf coast.

In fact, sea level rise and global climate disruption are already making our coastal communities more vulnerable; further reliance on fossil fuels, installation of offshore energy facilities, and the industrialization of the Atlantic Ocean can only exacerbate the problems facing the coasts.

Seven years after Hurricane Katrina, Superstorm Sandy struck the Atlantic coast, making landfall in New Jersey on October 29, 2012. A Federal disaster area was declared by President Obama for most States in the region immediately after landfall. Two weeks later, on November 16, a Federal fisheries disaster area was declared for New York and New Jersey under the citing Magnuson-Stevens Fishery Conservation and Management Act (MSA) and the Interjurisdictional Fisheries Act (IFA).³⁴ After months of recovery, and promises of up to \$60 billion in disaster relief aid, New York and New Jersey, as well as many other communities in the region, are still struggling to recover from the storm, return to their communities, and rebuild their lives.

In New York, damages to the recreational fishing sector totaled \$58 million (\$36 million at marinas; \$17 million at for hire companies; \$5 million at bait and tackle shops) while damages to the commercial fishing sector totaled \$19 million (\$9 million for seafood dealers; \$5 million for federally-permitted commercial fishermen; \$5 million for seafood processors).³⁵ In New Jersey, recreational fishing losses exceeded \$62 million (\$30 million to marinas; \$16 million to bait and tackle shops; and \$16 million to for-hire operations) and commercial fishing losses exceeded \$11 million for seafood dealers; \$3 million to federally-permitted commercial fishermen, and \$100,000 to seafood processors.³⁶

In the aftermath of Superstorm Sandy, to add OCS oil and gas operations and their dangerous risks to the already-full plate of the Atlantic Ocean would devastate our natural resources and drastically increase the burden on coastal marinas, regulators, citizens, businesses, parks and wildlife refuges, and fishermen still looking to rebuild or recover. For towns where half of the businesses are open, where a only third of the tourists have returned, or where only a quarter of the homes have been rebuilt, the answer is not to risk the future with the fuels of the past; the answer is to reinvest in the clean economies that brought in billions and employed millions before Superstorm Sandy.

V. Endangering Long-Term Clean Ocean Economies Is Not in the Public Interest

The push to expand offshore oil drilling all too often puts the short term ahead of the long. As with any offshore fossil fuel project, most of the job benefits claimed by oil companies are short-term—installing and constructing facilities and pipelines. One facility proposed for offshore New York, the Liberty LNG “Port Ambrose” project, would only generate up to 10 staff positions for the operation of the port—4 of which are contingent on LNG deliveries.³⁷ The long-term, clean ocean economy jobs of the Atlantic coast, detailed above, can suffer immediately (through increased competition and cost for dock space, increased burdens on Coast Guard operations,

³² U.S. Minerals Management Service. Estimated Petroleum Spillage from Facilities Associated with Federal Outer Continental Shelf (OCS) Oil and Gas Activities Resulting from Damages Caused by Hurricanes Rita and Katrina in 2005. August 8, 2006 (available at <http://www.docstoc.com/docs/6798709/Estimated-Petroleum-Spillage-from-Facilities-Associated-with>).

³³ U.S. Minerals Management Service. News Release. MMS Updates Hurricanes Katrina and Rita Damage. May 1, 2006.

³⁴ Regional Impact Evaluation; An Initial Assessment of the Economic Impacts of Sandy on New Jersey and New York Commercial and Recreational Fishing Sectors. NOAA Fisheries, Office of Science & Technology and Northeast Fisheries Science Center, March 15, 2013 (available at http://www.st.nmfs.noaa.gov/Assets/economics/documents/sandy/Final_Report_Sandy_Regional_Impact_Evaluation_KMSA.pdf).

³⁵ Regional Impact Evaluation; An Initial Assessment of the Economic Impacts of Sandy on New Jersey and New York Commercial and Recreational Fishing Sectors. NOAA Fisheries, Office of Science & Technology and Northeast Fisheries Science Center, March 15, 2013 (available at http://www.st.nmfs.noaa.gov/Assets/economics/documents/sandy/Final_Report_Sandy_Regional_Impact_Evaluation_MSA.pdf).

³⁶ *Id.*

³⁷ Port Ambrose Socioeconomic Study (available at <http://portambrose.com/project-application-materials/volume-2-topic-6-socioeconomics/>).

and ecosystem impacts from seismic surveys), as well as in the future (through oil spills and leaks, tourism and recreation reductions, and multiple-use at-sea conflicts).

The problem before us today is whether to support purported short-term benefits of oil and gas activities in light of the actual short-term losses and potential long-term vulnerabilities created in fishery, tourism, recreation, and trade because of oil and gas. This juxtaposition is rarely brought to the public's attention—that the jobs promised by the oil companies would not be created in a vacuum.

This timeframe dichotomy is playing out in the world of energy policy as well. “While the United States may be a net importer of crude oil, we are a net exporter of petroleum products, coal, and soon, liquefied natural gas. Given that nonrenewable energy resources like oil, gas, and coal are, by definition, not infinite, the issue is not just how we produce energy domestically, but what we do with that energy once it comes to market.”³⁸ As with jobs, the national discourse over oil production rarely presents the long-term, other-industry issues pertinent to informed decision-making. Oil companies extract U.S. domestic public resources for shipment to the top buyer (whether that is overseas or not), solicit contractors who are the bottom bidders, and have a clear set of economic and energy policy priorities driven to maximize dividends, not the long term diverse economic vibrancy of coastal communities.

As has been stated time and time again by elected officials, coastal citizens, and, most recently the Mid Atlantic Fishery Management Council, the long-term vitality of the existing uses and users of the Atlantic Ocean depends on an oil-free ecosystem. In the midst of an economic crisis, and in the wake of a devastating few years of Atlantic Ocean hurricanes, employers on fishing boats, boardwalks, and beaches are just beginning to restore the industries that took generations to build.

VI. Offshore Energy and Jobs Act Conclusions

The Atlantic Coast has been home to centuries of fishing, tourism and trade; the people that live along the Nation's densest coastline continue those traditions. From the recreational fisheries of Florida to the commercial fisheries of Maine, the crabbing in the Chesapeake to the sailing in Long Island Sound, these clean ocean economies drive our coastal communities, our Coastal States, and our Nation. Billions of dollars and millions of jobs are built within a delicately balanced ecosystem, each relying on the other, and each relying on a clean ecosystem.

The *Offshore Energy and Jobs Act of 2013* will threaten this balance, immediately and with long-lasting impact.

Over the long history of the New York/New Jersey region, we have learned that the ocean does not mix with toxins, medical waste, or acid waste—at least not if the goal for the region is one of robust fisheries and packed beaches. In the wake of Hurricanes Rita and Katrina, and the BP *Deepwater Horizon* oil disaster, we relearned the lesson that oil and water do not mix.

Instead of turning our back on history, we should turn towards those ocean uses that can have clean, productive futures, help those that are still struggling after Hurricane Sandy, and move forward with a clean ocean future.

Oil and gas moves with water and wind and is not contained by political boundaries. When the oil well blows, or oil spills from a pipe or platform, or leaks from a tanker—oil spreads rapidly and contaminates everything in its way whether it's marine life, coastal wetlands, the seafloor, or beaches. We continue to learn about the long term ecological impact from the BP oil disaster. The myriad other impacts generated by expanded offshore OCS activities, from seismic surveys to non-point source pollution and air emissions, are similarly unconstrained by political boundaries.

H.R. 2231's activation of OCS operations anywhere in the Atlantic Ocean threatens the ecology, and therefore economy of the entire Atlantic coast.

Thank you for the opportunity to speak.

The CHAIRMAN. And now I recognize Ms. Ryan Alexander, President of Taxpayers for Common Sense. You are recognized for 5 minutes.

³⁸Dixon, Sean T. and Jonathan Panico, *Extraction for Exportation: Is There Such a Thing As “Net Energy Independence”?* Natural Resources & Environment Volume 27, Number 3, Winter 2013.

**STATEMENT OF MS. RYAN ALEXANDER, PRESIDENT,
TAXPAYERS FOR COMMON SENSE**

Ms. ALEXANDER. Thank you, Chairman Hastings and members of the Committee.

The mission of Taxpayers for Common Sense is to achieve a government that spends taxpayer dollars responsibly and operates within its means. Over the last 17 years, TCS has worked actively to ensure that taxpayers receive a fair return to resources extracted from Federal lands and waters. As the rightful owners, taxpayers have the right to fair market compensation for the resources extracted from our lands and waters, just like any private land owner.

Today's hearing to examine legislation to increase energy production in Federal waters is certainly an important discussion. Without any oil and gas extraction, taxpayers would lose important royalty revenue altogether. But simply providing greater access for offshore activities and not addressing the larger royalty collection problems will not provide a solid basis for the long-term solution to our Nation's financial troubles, and could also lead to greater taxpayer liabilities down the road.

In addition, altering the State-Federal revenue shares for offshore drilling, as the Offshore Energy and Jobs Act proposes, would siphon valuable revenue from the Federal coffers for decades to come.

Natural resources derived from Federal lands and waters can and do provide great benefit for entire Nation. In addition, their end use and overall domestic economic benefit, their extraction provides valuable revenue to the Federal coffers with a potential to provide much more. To this end, Federal lands and waters must be mined, drilled, and otherwise developed in a manner that protects taxpayers' interests. Appropriate fees, rents, and royalties must be collected, and long-term liabilities, such as potential cleanup or mitigation costs, must be shouldered by the extractive industries, not the taxpayers. TCS believes in fix-it first. While federally owned natural resources currently provide around \$10 billion to the Federal Treasury, this amount falls dramatically short of what is rightfully owed to Federal taxpayers. For example, the taxpayers are currently losing billions of dollars on royalty-free oil and gas leases in the Gulf of Mexico. We must fix these problems so that we recoup what we are owed before moving forward. Taxpayers for Common Sense is opposed to any legislative measure that would allow States to receive a greater percentage of oil and gas revenues than is allowed under traditional Federal and State revenue-sharing provisions for royalty payments.

We oppose any measure to direct any additional percentage of royalties collected on new leases in Federal waters to the States. Further, we would like to see the revenue-sharing provisions of GOMESA, the Gulf of Mexico Energy Security Act, repealed and the original Federal-State shares reinstated. Revenues from traditionally defined Federal waters must be directed to the Federal Treasury. To be clear, TCS is not opposed to offshore drilling or to opening up more areas in Federal waters for drilling. Additional Federal resources can be derived from new drilling, and Federal

taxpayers, the rightful owner of these resources, should receive the revenue.

Determining whether it is in the national interest to drill should include an evaluation of offshore resources and potential income and also potential long-term liabilities and risks of those liabilities.

Federal taxpayers are due the royalties derived from leases operating in Federal waters because those waters are administered, protected, and managed by Federal, not State, agencies at a cost to Federal taxpayers. Federal taxpayers funding agencies charged with royalty collection and lease regulation. Additionally, the U.S. Coast Guard, not the States, inspects and regulates the offshore drilling rigs. It also performs vessel regulation, search and rescue, security, and pollution response.

Unlike onshore energy operations, offshore energy operations do not occur in any State. The impact of operations beyond State waters has national implications. States do get the money from waters dedicated to the States under Federal law, and we believe this should continue in any new drilling in State waters. In addition, they get economic development benefits from energy operations in Federal waters near their coasts. But all Americans should get the revenue from royalties, rents, and bonus bids in Federal waters. These waters are more than 6 miles from the coast and 9 miles in parts of the Gulf of Mexico. State waters are within 3 miles of their respective shorelines.

The changes made in the 2006 GOMESA legislation, which gave the Gulf States a larger share of Federal revenues, demonstrate how large the revenue losses can be to Federal taxpayers and may result in up to \$500 million in annual revenues from Federal waters diverted to the States. The new revenue-sharing provisions of H.R. 2231 would extend those revenue-sharing provisions to new leases, resulting in an additional multi-billion dollar loss to taxpayers.

Expanding revenue shares in Federal waters, as proposed in H.R. 2231, also presents a logistical nightmare. The Federal Government manages and secures operations off our coasts, and the taxpayer bears the costs of these services. The impact of drilling in Federal waters have national implications. Costs and benefits should be carried out in the interests of all Americans, not a handful of Coastal States.

The country is now facing a \$17 trillion debt and across-the-board budget cuts. Many things need to be done to resolve the Nation's fiscal woes, not least of which is ensuring Federal taxpayers get the revenue they deserve for the resources they own. The bottom line is that Federal lands and waters must be used responsibly, and taxpayers must receive appropriate financial assurances from those companies benefiting from resource extraction. Providing increased access without addressing future taxpayers costs is fiscally irresponsible and could cost taxpayers billions. Giving additional money from Federal resources to the States will simply compound our budget problems. H.R. 2231 raises important fiscal issues but should be revised with the primacy of the Federal taxpayer in mind. One second.

The CHAIRMAN. That was an excellent job. Thank you. Right to the second.

You will get a special award; I don't know what it is, but you will be recognized.

Thank you very much, all four of you, for your testimony.
[The prepared statement of Ms. Alexander follows:]

PREPARED STATEMENT OF MS. RYAN ALEXANDER, PRESIDENT, TAXPAYERS FOR
COMMON SENSE

Good morning Chairman Lamborn, Ranking Member Holt, and distinguished members of the Committee. Thank you for the opportunity to testify today on the Offshore Energy and Jobs Act, H.R. 2231. My name is Ryan Alexander and I am President of Taxpayers for Common Sense (TCS), a national, non-partisan budget watchdog organization.

The mission of Taxpayers for Common Sense is to achieve a government that spends taxpayer dollars responsibly and operates within its means. Over the last 17 years, TCS has worked actively to ensure that taxpayers receive a fair return on resources extracted from Federal lands and waters. Royalties and fees collected from resource development represent a significant source of income for the Federal Government and must be collected, managed and accounted for in a fair and accurate manner. As the rightful owners, taxpayers have the right to fair market compensation for the resources extracted from our lands and waters, just like any private landowner.

Unfortunately, over the years taxpayers have lost billions on royalty-free oil and gas leases and royalty-free hard rock mineral operations on Federal lands. Taxpayers have also lost because of a corrupt and inadequate royalty collection system and outdated laws. In today's budget climate, we cannot afford to lose this valuable revenue. These problems must be resolved as we move forward with additional mining and energy production on Federal lands and waters.

Today's hearing to examine legislation to increase energy production in Federal waters is certainly an important discussion. Without any oil and gas extraction, taxpayers would lose important royalty revenue altogether. But simply providing greater access for offshore activities and not addressing the larger royalty collection problems will not provide a solid basis for the long-term solution to our Nation's financial troubles and could also lead to greater taxpayer liabilities down the road. In addition, altering the State-Federal revenue shares for offshore drilling, as the "Offshore and Jobs Act" proposes, would siphon valuable revenue from the Federal coffers for decades to come. At a time when we should be discussing how to bring in more revenue—not less—to the Federal Treasury, this policy would not only be costly, but also short-sighted.

This morning, I would like to first discuss the need for fair return for all resource extraction on Federal lands and waters. Then I would like to address several concerns with the changes that H.R. 2231 would make to the existing Federal-State revenue sharing provisions for offshore oil and gas extraction.

Energy Legislation Must Ensure Fair and Accurate Collection of Revenues for Extraction of our Federal Resources

Natural resources derived from Federal lands and waters can and do provide great benefit to the entire Nation. In addition to their end use and overall domestic economic benefit, their extraction provides valuable revenue to Federal coffers, with the potential to provide much more.

To this end, Federal lands and waters must be mined, drilled or otherwise developed in a manner that protects taxpayers' interests. Appropriate fees, rents and royalties must be collected and long-term liabilities such as potential clean-up or mitigation costs must be shouldered by the extractive industries, not by taxpayers.

TCS believes in "fix it first." While federally owned natural resources currently provide around \$10 billion to the Treasury, this amount falls dramatically short of what is rightfully owed to the Federal Treasury. For example, the taxpayers are currently losing billions of dollars on royalty-free oil and gas leases in the Gulf of Mexico, as well as royalty-free operations for hard rock mineral extraction on Federal lands. We must fix these problems so that we can recoup what we are owed before moving forward.

Royalty Revenue Falls Short

TCS believes there are many areas where reform is needed to ensure fair and accurate royalty collection. First, the Federal Government must have a clear, transparent collection system that has sufficient oversight and accountability. The many scandals that plagued the Minerals Management Service (MMS), the agency that for

nearly three decades ran the Government's royalty collection system, demonstrated how corrupted the system can become.

For years the Government Accountability Office (GAO) has found that the Department of the Interior has not done enough to monitor and evaluate its royalty collections. GAO has included royalty collection in its last two reports on high-risk Federal programs and activities. A report in 2008 found that the DOI had not reviewed how it was compensated for extracted oil and gas from public lands for more than 25 years and had no system in place to even determine whether or not such a reassessment was needed. A 2010 study found that DOI had no way to determine if it was accurately measuring the amount of resources taken from public lands, making it unlikely the Federal Government is being fairly compensated. On top of these collection issues, the United States has some of the lowest underlying royalty rates in the world.

Other reforms to existing onshore oil and gas operations could also provide more valuable revenue for taxpayers. In 2010, GAO found that taxpayers would receive \$23 million more in royalty revenue annually from additional natural gas obtained from Federal lands, if companies were required to capture vented or flared natural gas in cases where it is economically feasible.

At the same time that Federal taxpayers are not assured of adequate royalty collection, they are also being asked to provide revenue from offshore leases in Federal waters to the States. The Gulf of Mexico Energy Security Act (GOMESA) already directs a portion of revenue derived from new leases in Federal waters in the Gulf of Mexico to the States rather than to Federal taxpayers. Since 2006, this law has cost taxpayers more than a billion dollars, and it will cost billions more in the years ahead. I will address this issue further in a moment.

Problems With Restructuring at DOI

Although the MMS has been dismantled, the Department of the Interior's new royalty management structure is still a work-in-progress. Since royalty collection has remained on the GAO's high-risk list, despite the new system at DOI under the Office of Natural Resources Revenue, it seems like the agency still has work to do in this area. Until this new system demonstrates it can effectively manage our taxpayer resources and collect royalties from existing operations on Federal lands, it would be premature to add to their portfolio a new category of leases without assurances that taxpayers are being protected.

While H.R. 2231 addresses the new system at the DOI by codifying it into Federal law, it would change little in the current system. Under existing law, the Secretary of the Interior has the authority make these changes and has proceeded with the dismantling of the Minerals Management Service and the restructure of the Office of Natural Resources Revenue. Further, H.R. 2231 adds layers to the bureaucracy at DOI, with the addition of a new undersecretary and two assistant secretaries. These new layers of political appointees will not only cost taxpayer money to fund, they will create more red tape in processing and executing leases and royalty collection fairly and efficiently.

Finally, while TCS applauds H.R. 2231's application of the user-pays principle for requiring inspection fees to fall on the oil and gas industry not Federal taxpayers, we are concerned that fixing the price for the inspections prematurely could lead to taxpayers footing the bill for any additional inspection costs.

State Revenue-Sharing Changes Proposed in H.R. 2231

Taxpayers for Common Sense is opposed to any legislative measure that would allow States to receive a greater percentage of oil and gas revenues than is allowed under existing Federal-State revenue-sharing provisions for royalty payments. We oppose any measure to direct any additional percentage of royalties collected on new leases in Federal waters to the States. Further, we would like to see the revenue-sharing provisions of GOMESA repealed and the original Federal/State shares reinstated. Revenues from traditionally defined Federal waters must be directed to the Federal Treasury.

To be clear, TCS is not opposed to offshore drilling or to opening up more areas in Federal waters for drilling. Additional Federal resources can be derived from new drilling, and Federal taxpayers, the rightful owners of those resources, should receive that revenue. We believe with proper taxpayer safeguards and the application of fair market royalties, Federal resources can and must be used to meet our Nation's energy, transportation, and mineral needs. Determining whether it is in the national interest to drill should include an evaluation of offshore resources and potential income, and also potential long-term liabilities and the risk of those liabilities.

Revenue-sharing provisions, like those proposed in H.R. 2231, siphon billions of dollars in valuable revenue from the general Treasury. Not only is this bad policy, in today's fiscal climate it is downright foolish. Providing an increased share to the States would do nothing to encourage energy development, as it doesn't affect the bottom line of the oil and gas, wind, or other offshore developers—they would owe the same royalties, rents, and fees at the end of the day either to the States or to the Federal Government. Thus, it reduces Federal revenues without adding any incentive toward energy development.

Federal taxpayers are due the royalties derived from leases operating in Federal waters because those waters are administered, protected, and managed by Federal—not State—agencies at a cost to Federal taxpayers. Federal taxpayers fund the agencies charged with royalty collection and lease regulations. Additionally, the U.S. Coast Guard, not the States, inspects and regulates the offshore drilling rigs; it also performs vessel regulation, search and rescue, security, and pollution response. Unlike onshore energy operations, offshore energy operations do not occur in any State. The impact of operations beyond State waters reaches well beyond any one State and has national implications.

States do get the money from waters dedicated to the States under Federal law and we believe this should continue in any new drilling in State waters. In addition, they get economic development benefits from energy operations in Federal waters near their coasts. But all Americans should get the revenue from royalties, rents and bonus bids in Federal waters. These waters are more than 6 miles from the coast and 9 miles in parts of the Gulf of Mexico. State waters are within 3 miles of their respective shoreline.

The changes made in the 2006 GOMESA legislation, which gave the Gulf States a larger share of Federal revenues, demonstrate how large the revenue losses can be to Federal taxpayers. Under GOMESA, Gulf States receive 37.5 percent of the royalty income from certain newly opened areas in Federal waters of the gulf. Beginning in 2016 they will receive 37.5 percent of royalties from new leases throughout the gulf's Federal waters, up to \$500 million annually. The new revenue-sharing provisions of H.R. 2231 would extend these revenue-sharing provisions to new leases, resulting in an addition multi-billion dollar loss to the taxpayers.

Expanding revenue shares into Federal waters, as proposed in H.R. 2231, also presents a logistical nightmare. Beyond the limited State waters designated in Federal law (extending 3 to 6 miles from shore), there are simply no State boundaries in Federal waters. Drawing boundaries for States and determining the recipient for the increased State revenues for waters so far offshore would be a legal and technical nightmare. The division of revenue among the States in the GOMESA legislation represented a political compromise that would be indefinitely more complicated along other U.S. coasts.

For example, States with concave or convex coastlines may have difficulty determining boundaries or agreeing on where their State's interests lie. The proposal for leasing wind offshore Rhode Island and Massachusetts was delayed nearly a year by negotiations between the States, and other areas along the east coast could yield similar conflicts.

Royalties collected from offshore drilling in Federal waters should be returned to the rightful resource owner, the Federal taxpayer. States receive revenue from royalties collected within State waters and the transitional area between State and Federal waters (3–6 miles from shore). The Federal Government manages and secures operations off our coasts and the taxpayer bears the cost of these services. The impacts of drilling in Federal waters have national implications. Costs and benefits should be carried out in the interest of all Americans, not a handful of Coastal States. Additionally, relying on this money to pay for today's infrastructure needs is bad budget policy.

Conclusion

The country is now facing a \$17 trillion debt and across the board budget cuts. Many things need to be done to resolve the Nation's fiscal woes, not the least of which is ensuring Federal taxpayers get the revenue they deserve for the resources they own.

All resources extracted from Federal lands must provide Federal taxpayers with fair market revenue. It is imperative that energy legislation address these problems.

Making more natural resources available, without ensuring recoupment of what taxpayers are already owed for current and past operations, is likely to only ensure inadequate collection of royalties on new leases and to perpetuate the existing flawed system for even longer. Without legislation to address the existing problems, taxpayers will continue to lose valuable revenue—revenue that can be used to address our Nation's budget deficit.

The bottom line is that Federal lands and waters must be used responsibly and taxpayers must receive appropriate financial assurances from those companies benefiting from resource extraction. Without proper assurances, any future financial liabilities will fall on the shoulders of taxpayers. Providing increased access without addressing future taxpayer costs is fiscally irresponsible and could cost taxpayers billions. Giving additional money from Federal resources to the States will simply compound our budget problems. H.R. 2231 raises important fiscal issues, but should be revised with the primacy of the Federal taxpayers in mind.

The CHAIRMAN. I will now recognize the gentleman from California, Mr. Lowenthal.

Mr. LOWENTHAL. Thank you, Mr. Chairman. I concur with you. Ms. Alexander, right on the mark.

I have many issues with this legislation. Including the opening up of new leases off to the coast of southern California. As I have stated at length before the Committee last week, but my first question today focuses for NEPA, the National Environmental Policy Act, which is in this bill. There is another attempt to limit the important law that provides an opportunity for public oversight prior to the Federal Government taking a major action, something I think we should all be for.

And this question is for both Mr. Boesch and Mr. LeVine. Mr. Boesch and Mr. LeVine, this legislation before us mandates the Interior Department to prepare only one Environmental Impact Study for all the Outer Continental Shelf lands. And that would be open, that is Virginia, South Carolina, southern California. My question is, do you think the OCS lands, the geology, the subsurface environments, including the exploration, development, and cleanup risks, are the same or different off of Virginia as they are off of South Carolina, and as they are off of southern California? First question is, are they the same or different?

Dr. BOESCH. Well, I think, obviously, they are different. Even in our Commission investigation of the *Deepwater Horizon* incident, we actually uncovered a lot of differences within the Gulf of Mexico that were not taken into account in terms of the planning, environmental assessments, and so on, that were done prior to the spill. And so they do require some very specific analysis related to the environments in question.

One thing just because I read it this morning in The Washington Post, of note that is relevant I think to specific provisions of this bill is that there was announcement of a discovery of some very unusual, unique long-life cold-water corals in Norfolk Canyon, right off the Virginia coast, right in the center of the area which is proposed for leasing. Some of these corals are the same kinds of corals which were killed by this deepwater plume that happened in the Gulf of Mexico. So it brings to the point where you really have to take into effect the specific conditions that exist in those locations.

Mr. LOWENTHAL. So then the follow-up question is, and I will ask Mr. LeVine, so obviously we are only doing one EIS. Is one EIS sufficient?

Mr. LEVINE. Mr. Chairman, Mr. Lowenthal, you began the question with the right statement, which is the importance of the National Environmental Policy Act. It is a statute designed to foster good decisionmaking. Where it requires the Federal Government to look at the potential impacts and alternatives of proposed activities

in order to figure out which course of action to take. It is not an action-forcing statute, it is an analysis statute designed to foster better decisionmaking. And the broader the scope, the larger the area analyzed, the more differences, the more difficult it is to get at the proper level of information needed to guide a good decision. It is important to note what the Government is doing at the lease-sale stage. It is deciding where, when, and under what conditions to offer public resources to companies for sale. And not only is one EIS not sufficient, it may very well be that one EIS for each of these planning areas, which can cover tens of millions of acres is not sufficient and that we need to look even more carefully at the distinct resources and threats in the various areas.

Mr. LOWENTHAL. Thank you.

Dr. Boesch, you state in your testimony that the relatively modest liability cap and financial responsibility requirements provide little incentive for oil companies to improve safety practices. Can you elaborate on that statement?

Dr. BOESCH. Well, if the risk of a major accident is capped at a fairly modest level, \$75 million when the consequences can go into the billions, it is in the interest of the company then to let someone else bear that responsibility. In the *Deepwater Horizon* spill in a way we were fortunate to have a company, BP, which had deep pockets and could find the resources to deal with responding to this spill and also felt it was responsible, it didn't have to do that under the law, under the existing liability required under the oil pollution.

Mr. LOWENTHAL. So then you think that Congress should be raising the liability cap for offshore oil spills that will make sure that taxpayers are not held responsible and oil companies have an incentive to improve their safety?

Dr. BOESCH. We have a specific recommendation in our report to that very effect. We do not specify the level. We think it probably shouldn't be unlimited, but there should be a process with Congress to determine what that level should be.

Mr. LOWENTHAL. Mr. LeVine, do you agree?

Mr. LEVINE. Absolutely.

Mr. LOWENTHAL. And also, Mr. Dixon.

Mr. DIXON. Anything that puts oil drilling off the coast should not be encouraged. It is something that really destroys too many jobs and too many ecologies, and the clean ocean economies that depend thereon.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes the gentleman from Florida, Mr. Garcia.

Mr. GARCIA. Thank you, Mr. Chairman.

Mr. Dixon, you made my ears prick. We have the great benefit in Florida that we don't have offshore oil drilling, and then you mentioned Florida. I didn't see Florida anywhere in here. Where is it?

Mr. DIXON. In the bill itself, is that your question?

Mr. GARCIA. Yes.

Mr. DIXON. In the ocean, the oil drilling knows no political bounds. One of the biggest problems that we are facing right now is the Active Seismic Surveys Proposal, which is going to affect Florida. It is going to bring seismic airgun blasts from the middle

of Florida all the way up to Delaware. So that is something that can immediately create impacts in marine mammal populations. And actually the testimony in front of the Mid-Atlantic Fishery Management Council said that would also lead to a 50-meter kill zone around each airgun array.

So when you have a shelf, Continental Shelf that leads to productive fisheries, lots of recreational fisheries, and lots of coastal tourism, having something like seismic surveys, which are part and parcel on any offshore oil exploration, can definitely have immediate impacts to Florida. Also, when oil drilling is allowed in places like the gulf, you see problems with tourism. After the BP *Deep-water Horizon*, when there was very little oil that actually made it in Florida waters, it still affected tourism, it affected the perception of the availability of that coast for tourists to come visit. So these all have multifaceted impacts at the end of the day.

Mr. GARCIA. Thank you.

Mr. Boesch, well, I guess I can ask all of you, I mean, from my reading here what staff has prepared, there are literally millions of miles offshore already leased. So tell me why we are not exploring that? Why do we need to go toward this? Maybe we will start on the left and go to the right.

Dr. BOESCH. Well, I can't answer the question specifically other than the fact that there are leases being held which have not yet been developed. In the Gulf of Mexico, in particular, is extending deeper and deeper waters where there are larger and larger reserves being found. So I think if you look at where the industry has elected to put its resources in terms of its exploration, it is there rather than these other frontier areas at the moment.

Mr. GARCIA. Mr. LeVine.

Mr. LEVINE. Mr. Garcia, I will take you far from Florida to Alaska, where oil companies own roughly 3 million acres of leases purchased all more than 5 years ago. They have yet to complete a single exploration well on any of those leases, largely due to the lack of attention to detail and forethought. I described some the problems Shell has had.

Mr. GARCIA. My colleagues across the aisle would say to you these aren't stupid businessmen. They know what they are doing. And why wouldn't they? If it was there, they would go for it. They are not going for it because there must not be something there for them to get.

Mr. LEVINE. The companies are going for it. Shell, in particular, has been trying to drill exploration wells for several years. They have not managed to have appropriate response and rescue equipment approved. In this past year, when the company tried to bring its two drill rigs and assorted vessels to the Arctic, it ran into a series of logistical problems for which it wasn't prepared, resulting in the grounding of the Kulluk. And both the drill rig and the drill vessel being disabled. So it is less lack of companies trying and more the Arctic Ocean telling them they can't do it right now.

Mr. GARCIA. Mr. Dixon.

Mr. DIXON. Thank you. One of the things that I would like to address is a slightly different tack, and that is the one of the energy exports. Right now, we are seeing that the United States, for the first time in a very long time, is a net petroleum product exporter.

Keystone XL has several contracts already slated for export. This is a global market, and energy companies can send their product—

Mr. GARCIA. You mean they are going to export that stuff?

Mr. DIXON. Through export, yes, through refineries. And so what we are seeing right now in the natural gas situation is that shale gas plays are being kept artificially low, the production levels, which is why a lot of companies are now applying to export gas as LNG overseas. We have already seen under the current Natural Gas Act over 40 percent of our daily domestic natural gases are already approved for construction if the facilities are built. And so once those export applications, then that petroleum product exports, once that market really opens up, then a lot of these fields where oil and gas have been kept in the ground until prices go up will be opened.

Mr. GARCIA. Ms. Alexander, I figure you just want them to show you the money. So—

Ms. ALEXANDER. Pretty much. Wherever they go, we want them to show us the money. And I think the answer is this is economics and logistics. People are going to develop wells and drill where they can make money. And we want them, if it is in Federal waters, to give the Federal taxpayer the money. So.

Mr. GARCIA. When you proposition, is that State versus Federal? Is that—what is—

Ms. ALEXANDER. I think essentially the existing revenue share model requires that the revenue goes to the States in the State waters, and there is a sharing zone of 3 to 6 miles. And then in Federal waters, 6 miles off the coast, 9 miles in some parts of the coast. Gulf of Mexico, those are Federal waters. Federal agencies pay for all of the infrastructure around them in terms of safety regulation inspection. And we think the Federal taxpayers should get the dollars.

Mr. GARCIA. Thank you, Ms. Alexander. Mr. Chairman, thank you very much for your generosity.

The CHAIRMAN. The time of the gentleman has expired. The Chair recognizes the gentleman from Nevada, Mr. Horsford.

Mr. HORSFORD. Thank you, Mr. Chairman.

I support economic growth and smart energy development, but my experience from Nevada is that we must work with local communities when changing Federal policy. This bill would curtail the National Environment Policy Act. And review by requiring the Secretary of the Interior to conduct lease sales off the coast of Virginia, South Carolina and California regardless of the project's potential impacts. So I would like to ask the panel's assessment to this bill's impact on other areas. And specifically, around what types of enforcement, penalties, and regulatory oversight should be maintained in any type of review by the DOI?

Dr. BOESCH. Well, I think, starting with your first part, I mean, the interest in collaboration with the States, Coastal States, is important. I actually think that it merits some level of revenue sharing to offset the impacts that take place, not to support the general treasuries of those States. The other point I would like to make is that, as was mentioned before, oil development offshore or oil spills know no boundaries. And so, for example, a proposal to develop the

area off of Virginia, that area is the same distance from Ocean City, Maryland, where I live in Maryland, as it is to Virginia Beach, Virginia. So it has to be multiple States who play a role in this decisionmaking.

Mr. LEVINE. Thank you. I would refer you in part to Dr. Boesch and his colleagues' report from the National Commission of Deep-water Horizon for recommendations on oversight and changes in law and regulations that are needed to more appropriately manage these activities. Also, I would say that in addition to working with States, you need to work more closely with communities. If we are going to craft a lasting solution for oceans that allows for healthy ecosystems and affordable energy, we need to work with the communities, including the small coastal communities, like those in Alaska and the tribes that have sovereign rights in order to figure out how we can move forward to protect local interests while best achieving benefits for the American public as a whole.

Mr. DIXON. Thank you for the great question. One of the two points that I want to make here on communities is that these decisions that we are making on oil drilling don't exist in a vacuum. As I mentioned in my testimony, there are thousands and thousands of jobs in every one of these communities that are dependent on that community's access to a clean and healthy ocean. When you are deciding whether or not to allow oil drilling offshore, all of those decisions need to be made with respect to the existing economies of the clean ocean area.

And second, I would like to point out that in our region, in New York and New Jersey, and around the greater New York region, Sandy really left a trail of devastation that has affected the communities' ability to even manage its own existing environmental programs. Our communities are still vulnerable, our beaches aren't yet reconstructed. And during the storm, a tanker ran aground. Lots of hazardous waste went into the ocean and ecology. And these agencies at State and local levels are already overwhelmed with recovery efforts. To add in a whole process of permitting oil pollution as well as perhaps preparing for the risk of oil spills is something that should not burden those communities at the moment.

Mr. HORSFORD. Quickly, because I have a follow-up.

Ms. ALEXANDER. Go ahead with your follow-up; this is a regulatory question.

Mr. HORSFORD. So, yes or no, just quickly, do you feel there should be increased liability caps under the legislation, and do you feel that the DOI should be able to levy against companies who violate the laws so that there is some financial deterrent? Yes or no?

Mr. LEVINE. Yes to both questions, emphatically.

Mr. DIXON. I would say unlimited liability. The polluter should pay.

Ms. ALEXANDER. Yes, I would say increase caps.

Mr. HORSFORD. And is there a need to codify any of the safety reforms that the DOI already has in place? Yes or no?

Dr. BOESCH. Yes, there is. And this bill, as I said, does that and to an extent by making sure in the statute those functions are separated. However, it does it not in an appropriate level of separation.

Mr. LEVINE. Yes. The safety changes that have been made are a good start, but they are not sufficient. Not only do we need to codify changes that have been made, we need to think more broadly about additional changes that should be made. And not just safety, but how we are making decisions about whether to allow these activities and under what conditions.

Mr. DIXON. I would echo that. When you have got a legislative system that sets up allowing oil and gas that doesn't allow other uses to take precedence, then that is a failed system.

The CHAIRMAN. The time of the gentleman has expired. I want to thank the witnesses. Many times, questions arise after we adjourn. So I would ask you that if any member wishes to ask a question of the witnesses that you respond in writing, obviously, to the Full Committee in a very timely manner.

I would also like to ask unanimous consent that any member that wishes to have a statement in the record today have that statement to the Committee by the close of business today. And without objection, so ordered.

If there is no business coming before the Committee, the Committee stands adjourned.

[Whereupon, at 11:40 a.m., the Subcommittee was adjourned.]

[Additional Material Submitted for the Record]

LETTER SUBMITTED FOR THE RECORD BY THE HONORABLE LOIS CAPP

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
WASHINGTON, DC, JUNE 11, 2013.

Chairman DOC HASTINGS,
U.S. House of Representatives,
Committee on Natural Resources,
Washington, DC 20515.

Ranking Member EDWARD J. MARKEY,
U.S. House of Representatives,
Committee on Natural Resources,
Washington, DC 20515.

DEAR CHAIRMAN HASTINGS AND RANKING MEMBER MARKEY,

I write in strong opposition to the Offshore Energy and Jobs Act currently being considered by your Committee.

This proposed legislation mandates immediate oil and gas lease sales off the coasts of my district in Santa Barbara and Ventura Counties, despite the communities' well-known, long standing bipartisan opposition to new drilling in these areas. Santa Barbara's devastating 1969 oil spill galvanized central coast residents, and virtually the whole State, against more offshore drilling. We were outraged by the damage to the environment and wildlife. And we understood the havoc that similar blowouts would wreak on our economy—especially tourism and fishing, and related industries. That's why Californians led the fight to pass groundbreaking environmental laws like the National Environmental Policy Act and Coastal Zone Management Act to protect our coastline and communities from the devastation that the 1969 oil spill brought to Santa Barbara.

The Offshore Energy and Jobs Act puts the central coast at risk again by requiring an offshore lease sale in the Santa Maria, Santa Barbara and Ventura Basins by the end of next year. To make matters worse, the bill would also prevent proper environmental review of these lease sales by requiring a single multi-sale environmental impact statement that covers lease sales off both the west and east coasts. Such EIS documents are usually done only for lease sales in areas like the Gulf of Mexico, where the conditions are well known and similar. Furthermore, this legislation would do nothing to implement key safety reforms recommended by the BP

Spill Commission and others, including increasing the spill liability cap and codifying the safety reforms already put in place.

Mandating destructive drilling in communities that do not want it, while cutting-out proper environmental review might be good policy for oil companies, but it is bad policy for my constituents and it is bad energy policy for our Nation. The Offshore Energy and Jobs Act is misguided and unnecessary, and I strongly oppose it.

Sincerely,

LOIS CAPPS,
Member of Congress.

PREPARED STATEMENT OF THE HONORABLE KATHY CASTOR, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF FLORIDA

My district, the 14th of Florida, borders the Gulf of Mexico. Thirty percent of U.S. oil production occurs in the gulf. The citizens and businesses I represent learned and lived a very tough lesson after the BP *Deepwater Horizon* blowout in 2010. I have great concerns on H.R. 2231, the Offshore Energy and Jobs Act, which would open up much of the east coast and parts of California and Alaska to offshore oil drilling. I commend the Committee for not including the eastern Gulf of Mexico in this piece of legislation. However, in light of the catastrophic economic and environmental damages caused by the 2010 BP *Deepwater Horizon* oil disaster, no offshore oil drilling legislation should move forward until Congress adopts the recommendations made by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, which was co-chaired by former U.S. Senator Bob Graham of Florida. These recommendations include requiring offshore operators to demonstrate that well components, including blowout preventer stacks, are equipped with sensors or other tools to obtain accurate diagnostic information and to raise the liability cap and financial responsibility requirements for offshore facilities, among others.

The 125 mile buffer off the west coast of the State of Florida that was instituted in 2006 as a compromise agreement in the Gulf of Mexico Energy and Security Act (GOMESA) should be made permanent—Florida and the other Gulf States have already compromised to expand oil production. The “buffer” or “moratorium” on drilling in the eastern Gulf of Mexico, that was given in exchange for the expansion of oil drilling in GOMESA, is vital to the protection of Florida’s economy, the Panhandle military bases and other national security missions. While H.R. 2231 does not open up this area for drilling, I am concerned about the potential harm to Florida from an east coast State oil spill. Florida’s tourism, fish and wildlife, ports, and defense related industries generate over \$175 billion in economic benefits and over 2.2 million jobs for Floridians per year. The 2010 BP Oil Disaster was a stark reminder that Florida’s long-term economic health is dependent upon clean water and clean beaches. Therefore, in the same spirit as the GOMESA compromise, if there will be an expansion of oil exploration the bill should include the trade-off of adopting the recommendations made by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (i.e., requiring, among other things, offshore operators to demonstrate that well components, including blowout preventer stacks, are equipped with sensors or other tools to obtain accurate diagnostic information and to raise the liability cap and financial responsibility requirements for offshore facilities.)

The BP Oil Disaster, the largest oil spill in U.S. history, killed 11 workers and uncontrollably spewed almost 5 million barrels of oil into the Gulf of Mexico for 3 months, devastating the gulf coast economy. The BP *Deepwater Horizon* explosion occurred 300 miles off the coast of west central Florida, yet it is estimated to cost Florida \$2.2 billion and almost 40,000 jobs. Small businesses in the tourism industry were immediately affected by the disaster, even in cities and counties hundreds of miles away from the furthest extent of the oiled beaches. The perception was enough to scare off tourists who are vital to Florida’s economy. The food, beverage and lodging industries saw significant decline in sales, along with retail stores and the fishing industry. It will some time before we know the full extent of gulf-wide economic and environmental damages as a result of the BP Oil Disaster.

The RESTORE Act of 2012 was certainly a step in the right direction for the economic and environmental recovery of the gulf coast, but it was only one part of the equation. While there is no guarantee another devastating spill will never occur, we can take steps to reduce the likelihood and severity of an oil spill. I urge the Committee to adopt the National Commission’s recommendations.

H.R. 2231 would threaten tourism, fishing, and coastal environments by requiring new, unsafe drilling off the coasts of the majority of Eastern States, and parts of California and Alaska, even while domestic oil production is at a 20-year high, nat-

ural gas production is at an all-time high, and domestic production is projected to keep rising. H.R. 2231 would do virtually nothing to implement key safety reforms in the wake of the BP *Deepwater Horizon* oil disaster and it would expand the amount of Federal revenue diverted to the States during this Federal budget crisis. This legislation rewards wealthy corporations with new leases in sensitive areas off our coasts, despite the fact that they are sitting on 30 million acres worth of approved leases. The bill also leaves in place the massive tax breaks these companies have enjoyed for a century.

LETTER SUBMITTED FOR THE RECORD BY SENATOR HANNAH-BETH JACKSON

CALIFORNIA STATE SENATE,
NINETEENTH SENATE DISTRICT,
SACRAMENTO, CA, JUNE 6, 2013.

The Honorable ALAN S. LOWENTHAL,
Subcommittee on Energy and Mineral Resources,
Committee on Natural Resources,
Washington, D.C. 20515.

DEAR CONGRESSMAN LOWENTHAL:

The People of Santa Barbara County and the State of California have a long history opposing off-shore oil drilling along our magnificent coast. We vehemently oppose any further efforts to despoil our beautiful and pristine waters in the name of oil or any other fossil fuels. Now is the time to wean ourselves off dirty and polluting oil and find clean and sustainable ways to provide the energy we need.

At a time when we are seeing severe weather events throughout the Nation and world, we should be reducing our use of fossil fuels, not drilling even further in our pristine waters for more of them. It would be irresponsible to allow our coast to be despoiled by such folly. Not now, not ever again.

Thank you for your support on this issue.

Sincerely,

HANNA-BETH JACKSON
Senator, 19th District

PREPARED STATEMENT OF THE HONORABLE DAVID E. PRICE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA

I am writing in opposition to Rep. Hastings' H.R. 2231, the "Offshore Energy and Jobs Act," which would dramatically and hastily expand oil and gas drilling in our Nation's most sensitive coastal areas, including many areas where local communities have resoundingly rejected it.

First, this legislation claims to be a jobs bill, but I want to remind the Committee that oil and gas production is already a growth industry. Despite the rhetoric we hear from the oil and gas industry, the Congressional Research Service found that there has been more oil produced on the Outer Continental Shelf in every year of the Obama Administration than there was during the last year of the Bush Administration. Furthermore, although about two-thirds of Federal offshore lands leased by the oil industry are currently not producing, the Obama Administration has offered—and continues to offer—millions of acres of public lands offshore for additional oil and gas exploration and production.

This legislation takes no heed of this fact—nor of the fact that the current offshore leasing plan will be updated in 2017—and instead unnecessarily accelerates oil and gas production in new areas of the Atlantic, Pacific, the gulf coast, and Alaska. Drilling is already prominent in the Gulf of Mexico, where about 95 percent of our offshore oil and gas is produced, but many of the newly proposed lease areas are not appropriate for offshore drilling. In many of these areas, local economies rely on clean and healthy oceans and communities have resoundingly opposed offshore drilling.

In my home State of North Carolina, offshore drilling is highly controversial because of its potential adverse impacts on the environment and coastal communities, as well as the tourist economies on which they depend. As you know, the Interior Department's current OCS Gas Leasing Program recognized the risks of drilling off the Atlantic coast and deferred a decision on oil and gas leasing in the region. In its justification, the agency cited a "lack of infrastructure to support oil and gas exploration and development as well as spill preparedness and response." There are also national security concerns to be weighed as our armed forces and NASA main-

tain extensive and exclusive use of ocean space along the east coast for training and testing activities. For these reasons, I recently joined several of my colleagues from North Carolina, Virginia, and South Carolina in sending a letter to Interior Secretary Jewell expressing continued opposition to offshore drilling on our coasts.

I am also concerned about oil and gas production in the Arctic. The Arctic Ocean is characterized by hurricane-force storms, 20-foot swells, sea ice up to 25 feet thick, sub-zero temperatures, and months-long darkness. The U.S. Geological Survey concluded that major gaps in scientific understanding of the Arctic make it “difficult, if not impossible” to make informed decisions about oil and gas development in the region. Furthermore, the President’s National Oil Spill Commission’s report card on the progress that had been made in implementing its 2011 recommendations concluded that “additional work must be done to understand the ecosystems of the Arctic and to establish the infrastructure necessary to protect this vulnerable and valuable region.”

In the years since the 2010 BP oil spill, Congress has not passed *any* legislation to update our drilling procedures. While I am pleased that this legislation would codify reforms the Administration has made to the former Minerals Management Service, I urge you to bring these reforms to the House in a stand-alone bill, not in a controversial bill that opens the floodgates to new drilling.

My colleagues claim that they support an “all of the above” energy strategy, but this bill demonstrates that their true policy is “oil above all”. We can’t drill our way to cheap gas prices and energy independence. If we truly want to optimize the use of our resources—including the ocean—create jobs, and promote energy independence, we should reject this measure and focus instead on developing alternative energy sources that do not pose the same risks as drilling.

The document listed below has been retained in the Committee’s official files.

—Oil Spill Commission Acton, *Assessing Progress Three Years Later*, April 17, 2013 (<http://oscaction.org/osca-assessment-report-2013/>)

