

**STATEMENT OF
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BEFORE THE
HOUSE COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

MARCH 17, 2015

Chairman Lamborn, Ranking Member Lowenthal and members of the Subcommittee, I am pleased to appear before you today to discuss the President's fiscal year (FY) 2016 budget request for the Bureau of Ocean Energy Management (BOEM). Thank you for inviting me to appear here today with my counterparts from the Bureau of Safety and Environmental Enforcement and the Office of Natural Resources Revenue, agencies that BOEM coordinates and collaborates with in a variety of ways on a daily basis to ensure effective management of offshore energy activities. Through the sharing of applicable data and collaboration on cross-cutting topics, our three agencies work efficiently to ensure that the offshore energy resources belonging to the American public are managed in a safe and responsible manner that brings maximum benefit to the United States taxpayer.

The budget request is designed to provide the resources necessary to advance BOEM's commitment to effective and efficient management and oversight of the Nation's offshore resources as a part of our comprehensive energy strategy to encourage safe and responsible oil and gas exploration and development, as well as to expand development of clean and abundant renewable energy resources. Through the President's all-of-the-above energy strategy, domestic production has grown each year the President has been in office, with oil production currently higher than at any time in the past two decades and natural gas production at its highest level ever. Since President Obama took office, the U.S. has increased solar electricity generation by more than ten-fold, and tripled electricity production from wind power.

Powering Our Future

BOEM is responsible for managing the development of the Nation's offshore energy and mineral resources in a balanced way that promotes efficient and environmentally responsible development. BOEM's functions include offshore oil and gas leasing, resource evaluation, review and administration of oil and gas exploration and development plans, renewable energy development, National Environmental Policy Act analysis, and environmental studies. The Bureau is committed to applying the best available science to decision-making, using research and rigorous analysis to balance the Nation's need for offshore energy resources with the protection of the human, marine and coastal environment.

Recent Items of Interest

BOEM's FY 2016 request builds upon recent accomplishments, several of which include: the 2017-2022 Outer Continental Shelf (OCS) Oil and Gas Leasing Draft Proposed Program, the

Final Supplemental Environmental Impact Statement for Chukchi Sea Lease Sale 193, the proposed Arctic regulations, and conducting a fourth offshore wind lease sale off the coast of Massachusetts.

2017-2022 OCS Oil and Gas Leasing Draft Proposed Program (DPP). The Department of the Interior (Department) released the Draft Proposed Program (DPP) for the 2017 - 2022 OCS Oil and Gas Leasing Program on January 27, 2015. The DPP would make areas containing nearly 80 percent of undiscovered technically recoverable oil and gas resources in the OCS available for exploration and development. It includes 14 potential lease sales in eight planning areas – ten sales in the Gulf of Mexico, three off of Alaska, and one in the Atlantic.

Final Supplemental Environmental Impact Statement for Chukchi Sea Lease Sale 193. The Department announced the release of a Final Supplemental Environmental Impact Statement (FSEIS) for Chukchi Sea Lease Sale 193 on February 12, 2015. The FSEIS updates BOEM's estimates of the full range of production from offshore oil fields that might be developed in the Chukchi Sea as well as the related potential environmental effects of the lease sale. The Department will render a decision in late March to affirm, modify, or vacate Lease Sale 193 and leases resulting from that sale, which was held in 2008. Concurrently, BOEM is informally reviewing Shell's Revised Chukchi Sea Exploration Plan (EP), which proposes six exploration wells -- with drilling to begin in 2015. BOEM will not deem Shell's EP submitted prior to the Secretary's decision on Lease Sale 193. The Department continues to move forward in planning for the Cook Inlet lease sale.

Proposed Arctic Regulations. On February 20, 2015, BOEM and the Bureau of Safety and Environmental Enforcement (BSEE) released proposed regulations to ensure that future exploratory drilling activities on the U.S. Arctic OCS are done safely and responsibly, subject to strong and proven operational standards. The proposed rule furthers the Nation's interest in the safe and responsible exploration of the Arctic OCS. The requirements contained in the proposed rule seek to address the dynamic, challenging conditions associated with operating in the Arctic OCS. The proposed rule would require comprehensive planning by operators across exploration and related operations conducted on the Arctic OCS and would establish a proactive approach to offshore safety.

The FY 2016 Budget Request

The FY 2016 budget requests \$170.9 million for BOEM operations, which includes \$96.6 million in offsetting collections (approximately \$93.0 million from rental receipts and nearly \$3.7 million from cost recovery fees). This results in a requested increase of \$1.8 million in net direct appropriations. The request will support critical ongoing efforts and core Bureau responsibilities. BOEM's FY 2016 request reflects a careful analysis of the resources needed to further develop the Bureau's capacity and to execute its functions carefully, responsibly, and efficiently. It also reflects modest increases that will support high priority offshore oil and gas activities, including those outlined in the Five Year Oil and Gas Leasing Program for 2012-2017 and the preparation of the next Five Year Program.

Key Priorities and Accomplishments

BOEM's FY 2016 request builds upon recent accomplishments and supports critical ongoing efforts.

Conventional Energy

BOEM manages access to and fair return for the energy and mineral resources of the OCS to help meet the energy demands and mineral needs of the Nation, while also balancing such access with the protection of the human, marine, and coastal environments. As the Nation's offshore energy and mineral resource manager, BOEM administers a comprehensive, progressive cycle of analyses to provide the key information necessary for decisions about whether, where and when offshore energy and mineral development can or should occur. BOEM's responsibilities are broad, beginning with identifying and calculating appropriate boundaries and legal descriptions; identifying, inventorying, and assessing the Nation's offshore energy and mineral endowment; developing a transparent, systematic, and comprehensive schedule for OCS oil and gas resource offerings; developing appropriate financial terms to ensure the Nation receives fair market value for its OCS resources; and carefully reviewing requests for approval of comprehensive, detailed industry plans to explore, develop and produce leased resources.

As of February 2015, BOEM administers nearly 6,000 active oil and gas leases on just over 32 million OCS acres. Production from these leases generated \$7.4 billion dollars in leasing revenue for the Federal Treasury and state governments in FY 2014. The overall level of activity on the OCS related to this production, drilling, and development of new projects is estimated to support employment associated with about 700,000 direct, indirect and induced jobs. Also in FY 2014, OCS leases provided 528 million barrels of oil and 1.3 trillion cubic feet of natural gas to energy markets, accounting for more than 16 percent of domestic oil production and five percent of domestic natural gas production, almost all of which is produced in the Gulf of Mexico.

The Bureau is currently implementing the Five Year OCS Oil and Gas Leasing Program for 2012-2017 (Five Year Program). The Five Year Program focuses on making OCS areas with the greatest resource potential available for oil and gas leasing. Together, the lease areas included in the 2012-2017 Program contain more than 75 percent of the undiscovered, technically recoverable oil and gas resources estimated to exist in Federal waters offshore the United States. It includes 12 potential lease sales in the Gulf of Mexico and three off the coast of Alaska. Since the approval of the Five Year Program in August 2012, BOEM has worked diligently to carry out its innovative, regionally-tailored approach to offshore oil and gas leasing. BOEM held three sales during calendar year 2014: Eastern Gulf of Mexico Sale 225 and Central Gulf of Mexico Sale 231 held concurrently on March 19, and Western Gulf of Mexico Sale 238 on August 20. From these sales, BOEM issued 400 leases with bonus revenues of over \$950 million. The next sales scheduled are Central Gulf of Mexico Sale 235 and Western Gulf of Mexico Sale 246; both lease sales are scheduled to be held during calendar year 2015.

BOEM is advancing a region-specific set of policies for the Arctic, including a targeted leasing strategy. This strategy is described in the Five Year Program and focuses on balancing exploration of energy resources with consideration for the environment and native communities' cultural and subsistence needs.

BOEM is also pursuing a strategy for the Atlantic that is focused on efforts to facilitate updated resource evaluation to support future leasing decisions. During FY 2014, BOEM developed a framework for the acquisition and management of geological & geophysical (G&G) data within the Mid- and South Atlantic. BOEM also issued a Record of Decision (ROD) for the Programmatic Environmental Impact Statement (PEIS) for Atlantic G&G activities. The ROD established a path forward for appropriate G&G survey activities off the Mid-Atlantic and South Atlantic coast. This will support future decision-making regarding whether and, if so, where potential offshore oil and gas lease sales in the Mid- and South Atlantic planning areas would be appropriate. BOEM is currently reviewing nine permit applications for G&G surveys. The first permit could be issued in the first half of this year.

BOEM continues to enhance its Technical Information Management System (TIMS) in order to develop an ePlans Portal that will digitize significant elements of the plan review process, creating significant efficiencies for both industry and government that would reduce plan processing time by up to 40 percent, yield financial savings, and improve data quality.

As mentioned earlier the Bureau is already preparing for the next Five Year Program, which will cover 2017 through 2022. Because of the complexity of the program development process, BOEM must begin planning for the next program several years in advance, and the entire process to develop a Five Year Program normally takes approximately two and a half to three years. The Department released the Draft Proposed Program (DPP) for the 2017 - 2022 OCS Oil and Gas Leasing Program on January 27, 2015. The DPP is the first of three proposals required to create an oil and gas leasing program that identifies offshore areas for potential lease sales during the 2017–2022 Five Year Program. The DPP continues the same regionally-tailored planning employed in the current 2012-2017 Five Year Program, which aims to achieve the dual goals of promoting appropriate development of the Nation’s oil and gas resources while protecting the marine, coastal, and human environments. The DPP includes 14 potential lease sales in eight planning areas – 10 sales in the Gulf of Mexico, three off the coast of Alaska (in 2020, 2021, and 2022), and one in a portion of the Mid- and South Atlantic (2021). The DPP would make areas containing nearly 80 percent of undiscovered technically recoverable oil and gas resources in the OCS available for exploration and development. The President withdrew portions of the Beaufort and Chukchi Seas from consideration for future oil and gas leasing in order to protect areas of critical importance to subsistence use by Alaska Natives, as well as for their unique and sensitive environmental resources. Even with this decision, 90 percent of the undiscovered technically recoverable resources of the Arctic planning areas remain available in the DPP.

In carrying out its mission to manage the responsible development of offshore resources, BOEM must also consider resources other than conventional or renewable energy. Pursuant to the OCS Lands Act, BOEM is the steward of OCS sand, gravel, and shell resources. Through its Marine Minerals Program, BOEM manages the responsible use of these resources, which are critical for the long-term success and cost-effectiveness of many shore protection, beach nourishment, and wetlands restoration projects along the Gulf and Atlantic coasts. The Marine Minerals Program provides the Bureau with the capability to provide sand and gravel resources to protect and improve coastal resources and the environment locally, regionally and nationally. To date, BOEM (and its predecessor the Minerals Management Service) has conveyed the rights to more

than 94 million cubic yards of OCS sediment in 36 projects covering seven states and 256.5 miles of coastline.

Funding requested in FY 2016 will also support the continued development of a more comprehensive Risk Management Program and staffing for increased OCS activity. The Risk Management Program decreases risk of taxpayers bearing the cost of a company failing to meet its financial responsibility associated with the uncertainties of offshore natural resource development. Resources will be used to conduct robust and continuous monitoring in order to identify, mitigate, and remediate any impacts of financial uncertainty, credit risk, project failures, legal liability, accidents, and natural disasters. It will also develop risk governance structures including revised bonding and financial assurance regulations, as well as general and project-specific risk management strategies and procedures. Finally, it will monitor and track the financial strength of lessees and offshore activities and infrastructure to ensure that BOEM is requiring the proper level of bonding or other acceptable financial risk mitigation measures to protect taxpayers. The increase in staffing reflects the increase in deepwater OCS activity over the last several years and this trend is anticipated to continue. In fact, BOEM has seen a 36 percent increase in active deepwater drilling rigs in the Gulf of Mexico since 2010, and this has led to a steady increase in the number of plans BOEM must review. Further, based on reforms to the plan review process following the Deepwater Horizon explosion and oil spill, the workload associated with each deepwater plan review has increased. BOEM requests funding to manage the increasing activity and the associated workload resulting from focusing personnel on the timely and thorough completion of reviews of exploration and development plans. The funds would enable BOEM to focus on the increasing plans work and other interrelated critical areas resulting from the projected OCS activity.

Looking forward, BOEM's conventional energy activities will continue to meet the high standards set forth by the Administration, Congress and the public through appropriate planning, development and protection of the Nation's offshore resources in response to the Nation's energy needs.

Renewable Energy Development

The all-of-the above energy strategy includes the development of the readily-available renewable energy resources that are vital to our Nation's long-term economic development and energy security. Securing clean sources of energy not only benefits the environment, but also creates American jobs and promotes innovation in the United States.

BOEM continues to work diligently to oversee responsible renewable energy development. BOEM develops lease sales under the Smart from the Start initiative, which facilitates environmentally responsible offshore wind development along the OCS by identifying wind energy areas using a coordinated, focused approach with extensive environmental analysis, public review, and large-scale planning. As of February 2015, BOEM has issued seven commercial offshore wind energy leases, including two issued through the non-competitive lease negotiation process (for the Cape Wind project proposed for Nantucket Sound, Massachusetts, and another for a potential project offshore Delaware) and five through the competitive lease sale process (two offshore Rhode Island-Massachusetts, two offshore Maryland, and another offshore

Virginia). BOEM held its fourth offshore wind commercial wind lease sale for an area delineated offshore Massachusetts in January of this year. Competitive lease sales have generated more than \$14.5 million in high bids. BOEM has also executed five limited/research leases (three offshore New Jersey, one offshore Delaware, and one offshore Florida). BOEM expects to hold an auction for an area delineated offshore New Jersey later this year and is currently engaged in renewable energy planning efforts for areas offshore North Carolina, South Carolina, New York, Oregon, and Hawaii. BOEM is also making progress on siting demonstration and technology testing projects for wind and marine hydrokinetic energy offshore both the Atlantic and Pacific coasts.

Through detailed planning and analysis and partnerships with states, other governmental agencies and stakeholders, BOEM has advanced the Renewable Energy Program nationwide and will continue to do so in FY 2016. Offshore wind leasing activities, including both commercial and research leases, have increased, contributing to the Administration's goal of promoting clean energy development. BOEM continues to demonstrate science-based decision-making by initiating and funding research. The studies directly benefit BOEM, other energy and mineral programs, renewable energy stakeholders and individual states. State interest in pursuing offshore renewable energy development is readily apparent in the increased involvement of the states through BOEM's intergovernmental renewable energy task forces – there are now 13 such task forces consisting of representatives from Federal, state, local and tribal governments. BOEM anticipates the Renewable Energy Program will continue to grow and is prepared to support this valuable effort in response to the Nation's energy needs.

Environmental Programs

BOEM, in coordination with BSEE, is responsible for assessing the impacts of and providing effective environmental safeguards for the exploration and development of energy and mineral resources on the OCS. Utilizing science as the foundation for sound policy decisions, and managing offshore energy and mineral resources in an environmentally and economically responsible way, BOEM facilitates top-quality research by talented scientists from a range of disciplines that is targeted to support policy needs and priorities.

These responsibilities require BOEM to assess the environmental impacts of planned and proposed OCS development and to provide guidance to developers and other stakeholders concerning the place, time, and nature of activities to be authorized. BOEM's environmental programs provide information for decision-makers and the public about potential environmental impacts of OCS energy and mineral resource development, how to prevent or mitigate those impacts, and how to monitor impacts. This information supports and guides decision-making not just within BOEM, but also by BSEE and other government authorities.

BOEM will continue to complete environmental reviews in support of mission-critical activities and lease sales included in the current Five Year Program. One such important tool is the Programmatic Environmental Impact Statement (PEIS). The PEIS analysis is conducted using top quality research by talented scientists from a range of disciplines, as well as targeted scientific studies facilitated by BOEM to support policy needs and priorities. Within the past 12 months, BOEM issued two EIS documents as previously mentioned- the programmatic

environmental impact statement analyzing proposed G&G activities in the Mid- and South Atlantic in August 2014 and more recently the Final Supplemental Environmental Impact Statement (FSEIS) for Chukchi Sea Lease Sale 193, issued in February 2015. BOEM completed approximately 650 NEPA analyses during FY 2014. During FY 2015, BOEM will continue to work toward a comprehensive PEIS in support of the development of the next Five Year Program (2017-2022).

Because of its quality, scale, and duration, BOEM's Environmental Studies Program is a leading contributor to the growing body of scientific knowledge about the nation's marine and coastal environment. In its applied research program, BOEM has leveraged partnerships with academic institutions and other Federal agencies to extend its allocated research budget, and will continue to advance those partnerships and produce top-tier scientific work in the coming year. The FY 2016 budget builds on the work done on landscape-level and ecosystem-wide conservation, oceans policy, and climate adaptation and resilience, and moves toward institutionalizing these Administration priorities.

The funding requested in FY 2016 will support activities associated with the U.S. Arctic Council Chairmanship and air quality and ecosystem monitoring. Specifically, BOEM requests funding to support BOEM's engagement in Arctic Council efforts and to increase the Bureau's expertise on issues of interest to the Council, namely factors related to coastal resilience and adaptation. BOEM requests funding to develop greater expertise in greenhouse gases and ocean-atmospheric interactions, and to study and evaluate greenhouse gas impacts on OCS resources, including marine ecosystems, ocean acidity, and ambient air quality.

BOEM decisions and management of the Nation's OCS oil and gas, marine minerals and renewable energy resources will continue to be informed through the environmental assessments, studies and partnerships conducted under the Environmental Program. These efforts are vital to ensuring that the impacts of OCS activities on the environment are understood and effective protective measures are put in place.

Conclusion

BOEM plays a vital role in advancing safe and responsible offshore energy development and in helping to secure our energy future. In a time when serious fiscal constraints demand difficult tradeoffs, we appreciate the critical resources provided this fiscal year – including investment in robust science to inform decisions relating to ocean energy policy and management and appropriate environmental safeguards. It is important to sustain this level of investment moving into the next fiscal year, and the FY 2016 request reflects a careful analysis of the resources needed for the Bureau to carry out the important mission with which we are charged.

Thank you once again for the opportunity to testify here today, and for your consistent support for BOEM's programs. I look forward to our continued work together and to answering your questions today.