

**Statement of
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**Before the
House Committee on Oversight and Government Reform
Subcommittee on Energy Policy, Health Care and Entitlements**

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Chairman Lankford, Ranking Member Speier, and members of the Subcommittee, I am pleased to appear before you today to discuss the Department of the Interior's work to expand responsible energy development and production on Federal lands and waters.

Consistent with the Administration's *Blueprint for a Secure Energy Future*, DOI is engaged in a broad effort to secure the Nation's energy future by producing more oil and natural gas at home, developing and using clean renewable energy sources, and improving energy efficiency. Since the President took office, America's dependence on foreign oil has decreased every year, and domestic oil and natural gas production has risen every year. In 2012, American oil production reached the highest level in two decades and natural gas production reached an all-time high.

Access to Energy Resources

DOI is an important contributor in implementing the President's all-of-the-above energy strategy, which includes expanding the safe and responsible production of our domestic oil and gas supplies, both offshore and onshore, and seeking out regulatory and oversight efficiencies, so as to create a more efficient and predictable environment for both government and industry.

The Bureau of Ocean Energy Management (BOEM) is implementing the Five Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2012-2017 (Five Year Program). The Five Year Program makes all of the OCS areas with the greatest resource potential available for oil and gas leasing. Together, these areas contain more than 75 percent of the undiscovered, technically recoverable oil and gas resources estimated to exist in federal waters offshore the United States.

To increase access to the Gulf's world-class oil and gas potential, the Administration has negotiated an Agreement between the United States and Mexico concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico. This agreement will make nearly 1.5 million acres of the Outer Continental Shelf, currently subject to a moratorium under the Western Gap Treaty, immediately available for leasing. It will also make the entire transboundary region, which is currently subject to legal uncertainty in the absence of an agreement, more attractive to U.S.-qualified operators. For example, BOEM estimates that the transboundary area currently under moratorium contains as much as 172 million barrels of oil and 304 billion cubic feet of natural gas. We look forward to continuing to work with Congress on legislation to implement this Agreement.

DOI also is moving forward with overseeing safe and responsible offshore oil and gas exploration in frontier areas, including the Arctic. The Arctic holds substantial oil and gas potential, but also presents unique environmental and operational challenges. Offshore exploration in the Arctic must proceed in a way that is safe, responsible, and respectful of the Alaska Native communities that depend on the ocean for subsistence. The Interagency Working Group on Coordination of Domestic Energy Development and Planning in Alaska, established by Executive Order in July 2011 and chaired by the Department's Deputy Secretary David Hayes, has taken the lead in coordinating and rationalizing the permitting of energy projects across the relevant federal agencies. Last summer saw the first significant offshore exploration activity in the Alaska OCS since the 1990s. This activity was closely overseen by DOI, the U.S. Coast Guard, the National Oceanic and Atmospheric Administration and other federal agencies.

The Department also is pursuing a specific strategy to evaluate potential future offshore oil and gas leasing in new areas, such as the Mid and South Atlantic. BOEM is working to complete a Programmatic Environmental Impact Statement (PEIS) evaluating the potential environmental impacts of proposed geological and geophysical activities in the Mid and South Atlantic. The completion of this PEIS is part of a region-specific strategy to responsibly develop modern information about the significance and location of oil and gas resources to inform future decisions about whether leasing in the Atlantic would be appropriate, and if so, where such leasing should take place. The PEIS is expected to be completed later this year. Further, early in the process BOEM also is actively working to identify and evaluate potential conflicts with existing uses in these areas, including with the military.

Onshore, the Bureau of Land Management (BLM), which has about 37.8 million acres under lease for oil and gas development, is scheduled to hold more than 30 oil and gas lease sales this year. At the end of Fiscal Year 2012, there were approximately 49,000 oil and gas leases on Federal public lands, of which over 23,000, covering 12.5 million acres of Federal mineral estate, were producing oil and gas. The amount of producing acreage has increased by about 200,000 acres since 2011. Over 3,000 new oil and gas wells were started in 2012, and oil production from the Federal onshore is up 18 percent since 2008 – reaching its highest level in over a decade. Indeed, at the end of the last fiscal year, industry held almost 7,000 approved drilling permits that had not yet been drilled.

Harnessing our Nation's coal resources is also an important part of our all-of-the-above energy strategy. The BLM is responsible for leasing the Federal coal mineral estate on approximately 570 million acres, and the BLM's coal program supports production that provides important energy for the Nation, as well as revenue for the Treasury. Currently, about one-fifth of all electricity generated in the country comes from coal mined on Federal lands.

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

The BLM has focused on an accelerated, but environmentally responsible, permitting process for the development of renewable energy on public lands that ensures the protection of signature

landscapes, wildlife habitats, and cultural resources. The BLM's 2012 Solar Energy Plan identified almost 20 million acres of land as potentially suitable for utility-scale solar energy development. Working cooperatively with other resource agencies, the BLM has developed a 2013-2014 active priority project list that includes wind, solar, and geothermal projects. The BLM further expects to propose rules that would establish a competitive process for issuing rights-of-way leases for solar and wind energy development on public lands.

Offshore renewable energy also holds great potential, and DOI is working closely with other Federal agencies, coastal States, industry, tribes and a broad range of stakeholders under the *Smart From the Start* strategy to lease offshore wind projects in the right places. BOEM has established renewable energy task forces with a total of 12 coastal states, including recent task forces in the states of Hawaii and South Carolina. BOEM has also issued two commercial leases for offshore wind energy areas and expects to hold two competitive lease sales for areas offshore Rhode Island and Massachusetts and Virginia this year, with lease sales in additional areas offshore New Jersey, Maryland and Massachusetts to follow.

The Results

The first two sales of the 2012-2017 Five Year Program were held in the Gulf of Mexico in November 2012 and March 2013, and resulted in over \$1.3 billion dollars in industry investment and government revenue through bidding on 436 new leases. A third lease sale, scheduled for this August, will offer 21 million acres offshore Texas, making all unleased acreage in the Western Gulf of Mexico available for leasing.

The BOEM has achieved substantial efficiencies in its review process for offshore oil and gas exploration and development plans, while requiring compliance with the heightened safety and environmental protection standards promulgated following the *Deepwater Horizon* blowout and oil spill. For example, exploration and development plans for deepwater drilling in the Gulf of Mexico submitted between October 2010 and October 2011 averaged 190 days from submission to approval. In contrast, since October 2011 these plans have averaged 125 days for approval. The President's Budget request for 2014 includes funding for the ePlans initiative, which is projected to reduce plan processing times significantly.

Similarly, the Bureau of Safety and Environmental Enforcement (BSEE) achieved an average review time of 52 days for deepwater permits in 2012, down from 83 days in 2011, all while requiring compliance with the heightened safety standards. Finally, as many floating deepwater drilling rigs are working in the Gulf of Mexico today as prior to the *Deepwater Horizon* spill, with drilling activity expected to steadily increase over the coming year.

Onshore, from FY 2006 to FY 2012, the amount of time it took for all BLM field offices to process and approve complete drilling applications fell by 40% – from 127 to 77 days. The number of inspections completed by all BLM offices rose 73 percent from FY 2006 to FY 2012, from 19,974 to 34,571.

The BLM has also completed a new comprehensive plan – the first ever – for the 23-million acre National Petroleum Reserve – Alaska, or NPR-A. The plan provides access to 72% of that area's estimated oil potential and prevents conflicting land uses in an important east-west corridor that

could be needed for pipeline infrastructure to eventually carry Chukchi Sea oil or gas production to the Trans-Alaska pipeline.

The Federal coal program has generated over \$9 billion in revenue over the past decade. The Administration is making more coal available as well, with the number of producing acres rising 4 percent from 464,380 in Fiscal Year 2009 to 484,017 in Fiscal Year 2012. The amount of coal the agency leased last fiscal year is the highest since FY 2003.

In the Energy Policy Act of 2005, the Congress set a goal of approving at least 10,000 MW of non-hydro renewable energy on the public lands by 2015. The BLM achieved the lower limits of that goal in December 2012, three years ahead of schedule.

Since issuance of a March 2009 Secretarial Order prioritizing the consideration of environmentally responsible renewable energy projects, the BLM has approved 41 renewable energy projects, including 23 utility-scale solar facilities, 8 wind farms, and 10 geothermal plants, with associated transmission corridors and infrastructure to connect to established power grids. If fully built, these projects would provide more than 12,000 MW of power, or enough electricity to power more than 4.2 million homes, and support an estimated 17,000 plus construction and operations jobs.

Renewable energy approvals continue to be a focus area for the BLM. Former Secretary Ken Salazar signed a Record of Decision in October 2012 that designated 285,000 acres within 17 Solar Energy Zones for solar development, as well as some 19 million acres of variance land potentially available for development. The Department is moving forward on the 2013-14 active priority list, which includes 23 renewable energy projects (14 solar, 6 wind, and 3 geothermal) with a potential capacity to generate about 5,300 MW.

BOEM has taken a number of major steps to advance offshore wind development, including: approving the construction and operations plan for the Cape Wind project offshore Massachusetts, which has power purchase agreements for 75 percent of generation capacity; issuing a commercial wind energy lease offshore Delaware; completing steps to hold competitive wind energy lease sales in areas offshore Rhode Island, Massachusetts, and Virginia in 2013, with additional competitive lease sales to follow for wind energy areas offshore Maryland, New Jersey, and Massachusetts; and issuing formal requests to gauge interest in the areas offshore New York, North Carolina, and Maine. BOEM is also overseeing progress in the planning of a potential Mid-Atlantic Wind Energy Transmission Line, which would enable up to 6,000 MW of wind turbine capacity to be delivered to the electric grid along the East Coast.

Conclusion

The Obama Administration and the Department of the Interior are working to secure our energy future by ensuring that our domestic energy resources are safely and responsibly developed, and that the potential for clean energy development on our public lands and waters is realized. The Department, through its policies, priorities, and project work, has taken a balanced approach, and it is an approach that works.

Again, thank you for the opportunity to discuss the Department of the Interior's policies and programs on energy production from Federal lands and the OCS. I will be pleased to answer any questions that you or the Committee may have.

Tommy Beaudreau, Director

Tommy P. Beaudreau is the first director of the Bureau of Ocean Energy Management (BOEM), which is responsible for overseeing the environmentally and economically responsible development of the Nation's offshore resources. BOEM manages the conventional and renewable ocean energy and mineral resources on 1.7 billion acres of the U.S. Outer Continental Shelf (OCS).

Mr. Beaudreau joined the Department of the Interior in June 2010 to help develop and lead the Department's aggressive reforms of offshore energy management and oversight following the Deepwater Horizon blowout and oil spill, including the reorganization of the former Minerals Management Service. He served as the senior advisor to the director of the Bureau of Ocean Energy Management, Regulation and Enforcement, where he played an integral role in designing and implementing the Bureau's broad reform agenda with respect to the regulation of offshore oil and gas development.

BOEM was established in October 2011. The agency's responsibilities include leasing, plan administration, environmental studies, National Environmental Policy Act (NEPA) analysis, resource evaluation, economic analysis and the offshore renewable energy program.

Prior to his work at Interior, Mr. Beaudreau was a partner at the law firm Fried, Frank, Harris, Shriver & Jacobson LLP. Mr. Beaudreau is a graduate of Yale University and received his law degree from the Georgetown University Law Center.