

**STATEMENT OF WALTER CRUICKSHANK
ACTING DIRECTOR, BUREAU OF OCEAN ENERGY MANAGEMENT,
DEPARTMENT OF THE INTERIOR
BEFORE THE SUBCOMMITTEE ON INTERIOR, ENVIRONMENT, AND RELATED AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS
ON THE 2020 PRESIDENT'S BUDGET REQUEST
APRIL 4, 2019**

Chair McCollum, Ranking Member Joyce and Members of the Subcommittee, I am pleased to appear before you today to discuss the 2020 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 Land Management, and the Bureau of Safety and Environmental Enforcement (BSEE). BOEM coordinates and collaborates with BSEE in a variety of ways on a daily basis to ensure effective management of offshore energy activities.

The Administration's America First Offshore Energy Strategy calls for boosting domestic energy production to stimulate the Nation's economy and to promote national security, while providing for responsible stewardship of the environment. Implementation of these goals aligns with BOEM's mission, the statutory mandate for which is provided principally by the Outer Continental Shelf (OCS) Lands Act. BOEM is responsible for managing the development of our Nation's offshore energy and mineral resources in an economically and environmentally responsible manner. BOEM accomplishes this mission through oil and gas leasing, renewable energy development, and marine mineral leasing, all of which are guided by rigorous, science-based environmental review and analysis. BOEM helps support the Administration's goal to increase domestic energy production by providing access to OCS resources through programs that enable exploration and production of offshore oil and gas resources and facilitate renewable energy development. As a result, BOEM plays an important role in advancing the Administration's comprehensive approach to expanding responsible domestic energy resource development as part of a broader effort to secure the Nation's energy future, benefit the economy, enhance national security, and create jobs.

BOEM manages access to and, as required by statute, ensures fair market value or fair return for OCS energy and mineral resources to help meet the Nation's energy demands and mineral needs, while also balancing such access with the protection of human, marine, and coastal environments. As the Nation's offshore energy and mineral resource manager, BOEM administers comprehensive analyses to inform decisions about where, when, and whether offshore energy and mineral development can or should occur.

The 2020 Request supports ongoing efforts and important initiatives that are vital to BOEM's mission and critical to advancing Administration priorities, including the goal of moving the United States from simply aspiring to energy security to actually achieving it.

THE 2020 REQUEST

The 2020 Request proposes \$193.4 million for BOEM operations, including \$56.5 million in offsetting collections (approximately \$54.4 million from rental receipts and over \$2 million from cost recovery fees). The 2020 Request includes a net increase in BOEM's total budget authority of \$22.4 million over the 2019 CR baseline level. BOEM's 2020 Request reflects a careful analysis of the resources needed to further advance the Administration's priorities and develop the Bureau's capacity to execute its mission carefully, responsibly, and efficiently. It reflects increases that will support Administration priorities, including implementing the new National OCS Oil and Gas Leasing Program (National OCS Program), advancing renewable energy leasing activities, and initiating an OCS Critical Mineral Inventory.

BOEM's 2020 Request builds upon recent accomplishments and supports critical ongoing efforts.

Conventional Energy

BOEM's conventional energy budget supports a broad range of responsibilities related to offshore oil and gas leasing and development activities. For conventional energy, this begins with the responsible preparation of the National OCS Program. BOEM's work includes assessments of the oil and gas resource potential on the OCS, inventories of oil and gas reserves, and economic evaluations of OCS submerged lands to ensure the receipt of fair market value for U.S. taxpayers from OCS leasing and development.

In particular, the 2020 Request supports increases to BOEM's budget for pre-lease activities, specifically the implementation of a new National OCS Program, which is foundational to the Nation's energy strategy.

Consistent with Executive Order 13795 – *Implementing an America-First Offshore Energy Strategy* – BOEM initiated efforts to develop a new National OCS Program during FY 2017, and these efforts continued through FY 2018 and into FY 2019. BOEM initiated the public process in July 2017, with a Request for Information, on which it received more than 800,000 comments. BOEM analyzed these comments and gave them careful consideration when developing the 2019-2024 National OCS Oil and Gas Leasing Draft Proposed Program (DPP), which was announced in January 2018. The DPP proposes 47 potential lease sales for consideration in 25 of the 26 OCS planning areas – the largest number of lease sales ever proposed for the National OCS Program's five-year lease schedule. This DPP would make more than 98 percent of undiscovered technically recoverable OCS oil and gas resources available for oil and gas leasing consideration. It is also the first time in 35 years that virtually the entire OCS has been analyzed under the provisions of the OCS Lands Act and the National Environmental Policy Act at this stage in the program development process, providing the Secretary the most comprehensive and up-to-date information on which to base decisions. During the 60-day public comment period on the DPP, BOEM received more than 2 million comments. BOEM has again taken these comments into careful consideration during the development of the Proposed Program, which the Bureau anticipates publishing in the coming weeks. Once the Proposed Program is published – along with the Draft Programmatic Environmental Impact Statement – the public will have 90

days to provide comments. Those comments will then be analyzed and considered for the Proposed Final Program, which will be submitted to the President and Congress for a 60-day review period prior to final approval.

Until a new National OCS Program has been approved by the Secretary and takes effect, BOEM will continue implementation of the current 2017-2022 National OCS Program. BOEM has conducted four Gulf of Mexico-wide lease sales under the current program, which including Gulf-wide lease sale 252 on March 20, has resulted in more than \$668 million in high bids.

The increases in the budget support additional economic modeling, determination of fair market value for sale bids as well as enhanced fair market value tools, coordination and implementation of offshore leasing strategy activities, and lease sale and data management. They will also allow BOEM to conduct the extensive outreach with stakeholders that will be required to implement such a Program. It should be noted that at the time the 2020 Request was developed, the Proposed Program had not been finalized; it still has yet to be published. This Request is not intended to presume a particular Secretarial decision on the new National OCS Program.

In addition to the new National OCS Program implementation, the 2020 Request also supports other high priority offshore oil and gas development activities. Following the development of a transparent, systematic, and comprehensive schedule for oil and gas resource offerings, BOEM is responsible for: implementing the lease sale process; developing appropriate financial terms to ensure the Nation receives fair market value for its OCS resources; administering leases; and, conducting an in-depth review of exploration plans, development and production plans, development operations coordination documents, and geological and geophysical permits. BOEM must also ensure lessees have sufficient resources to fulfill lease obligations, including decommissioning facilities at the end of their productive life. Additionally, BOEM is responsible for producing and maintaining the official offshore cadastre for the OCS.

As of March 1, 2019, BOEM manages about 2,612 active oil and gas leases on over 13.8 million OCS acres. In 2018, offshore federal production reached approximately 644 million barrels of oil and 986 billion cubic feet of gas, almost all of which was produced in the Gulf of Mexico. This accounted for about 16 percent of all domestic oil production and 3 percent of domestic natural gas production. Annually, this production generates billions of dollars in revenue for the U.S. Treasury, the Land and Water Conservation Fund, the Historic Preservation Fund, and state and local governments, while supporting hundreds of thousands of jobs. Revenues generated from offshore conventional energy leasing and production activities are a significant source of revenue for the Federal Government. In FY 2018, conventional energy generated \$106 million in rent, \$229 million in bonuses, and \$4.3 billion in royalties from OCS production.

Renewable Energy

In recognition of the role renewable energy can play in securing the Nation's energy independence and supporting economic growth, BOEM has been working to advance renewable energy through an expanded and targeted leasing program and review of developers' plans for offshore wind projects on existing leases. The 2020 Request supports BOEM's growing

renewable energy program and includes an increase of \$500,000 to plan for a second renewable energy lease sale in FY 2020.

To date, BOEM has conducted eight competitive wind energy lease sales for areas offshore the Atlantic coast and there are 15 active commercial wind energy leases offshore of Delaware, Maryland, Massachusetts, New Jersey, New York, North Carolina, Rhode Island, and Virginia. If fully developed, these leases could generate enough energy to power over 6.5 million homes. BOEM is in the planning stages to identify additional potential lease areas offshore California, Hawaii, New York/New Jersey, and North/South Carolina. BOEM is also making progress on siting demonstration and technology testing projects for wind and marine hydrokinetic energy offshore on both the Atlantic and Pacific coasts. In FY 2018, \$4 million in rent payments were collected on OCS renewable energy leases. BOEM estimates annual rent payments to increase in FY 2019 to over \$5 million per year. To date, including the December 2018 Massachusetts renewable energy lease sale, which resulted in approximately \$405.1 million in bonus bid revenue, BOEM has generated over \$473 million in bonus bids from renewable energy lease sales it has conducted through the competitive leasing process.

An aggressive renewable energy leasing strategy requires extensive planning and analysis, and partnerships with states, other governmental agencies, and stakeholders. As such, BOEM's 2020 Request funds the work of 14 intergovernmental renewable energy task forces consisting of representatives from federal, state, local, and tribal governments. The task forces facilitate intergovernmental communications regarding OCS renewable energy activities to ensure that information needs, multiple-use concerns, and associated solutions are identified early in the leasing process. Throughout the entire process, including early planning, leasing, and then review of lessee plans, BOEM strives to engage stakeholders who might be impacted by potential activity, including fishermen. This outreach and interaction is conducted through meetings; workshops; and soliciting stakeholder input into project siting, best management practices, and research and monitoring measures. Specific to mitigating potential impacts on fishing, BOEM requires that developers provide a fisheries liaison and has also published guidance to lessees regarding fisheries communication plans, which BOEM continues to evaluate based on feedback received from the fishing industry. As interest in renewable energy increases, BOEM will continue these robust outreach efforts.

In support of renewable energy goals of coastal states, funding proposed in FY 2020 enables BOEM to expand its renewable energy leasing activity, including potentially in BOEM's Pacific planning areas, thereby advancing offshore renewable energy commercial leasing on both the Atlantic and Pacific coasts. It will also provide an opportunity to add millions of dollars to the U.S. Treasury annually through the collection of additional bonus bids and future rents. Through detailed planning and analysis and partnerships with other governmental agencies and stakeholders, BOEM's Renewable Energy Program is meeting the needs of our constituents nationwide and will continue to do so in FY 2020.

Marine Minerals

Pursuant to the OCS Lands Act, BOEM is the steward of OCS sand, gravel, and shell resources. The 2020 Request emphasizes the importance of BOEM's work in this area by proposing a new

Marine Minerals budget activity. BOEM oversees the conveyance of OCS marine minerals, which are used in support of coastal resilience projects, including hurricane recovery and response, beach nourishment, and coastal restoration activities, all of which result in the restoration of hundreds of miles of coastline; protection of billions of dollars of infrastructure; and protection and restoration of important ecological habitat. To date, BOEM has conveyed the rights to 150 million cubic yards of OCS sediment by executing 55 leases for projects in eight states that have restored 339 miles of coastline.

While the Bureau's marine mineral work so far has mostly been along the Atlantic Coast and in the Gulf of Mexico, interest in OCS sand and gravel resources in other areas has been growing. For this reason, the 2020 Request proposes funding to initiate a marine mineral project offshore Alaska's North Slope. However, because resources in this particular area may also include critical minerals important to U.S. manufacturing and technology, BOEM will leverage this funding to support assessments of both sand and critical minerals.

There is an urgent need to identify submerged lands that have high economic potential but low ecological value, making them suitable for further exploration and leasing. Accumulations of minable deposits of detrital heavy minerals containing critical minerals are either known or potentially present at several locations offshore Alaska. The funding would enable BOEM to initiate an OCS Critical Mineral Inventory to assess the Nation's supply of critical minerals, potentially reducing vulnerability to economic disruption, as well as negative national security impacts caused by a lapse in imports. As the sole steward of these finite, public resources, it is imperative that BOEM improve its knowledge of where critical mineral resources are available on the OCS in order to manage their use effectively.

Environmental Programs

As stated in the Administration's America-First Energy Plan, the need for energy must go hand-in-hand with environmental stewardship. BOEM is responsible for assessing the impacts of, and providing effective environmental safeguards for, OCS energy and mineral resources exploration and development. BOEM develops, funds, and manages scientific research to inform these assessments and provide the foundation for sound, science-based policy decisions that help BOEM manage offshore energy and mineral resources in an environmentally and economically responsible manner.

The 2020 Request supports mandated analysis and research that provide information about the potential environmental impacts of OCS energy and mineral resource development and offer measures to prevent, mitigate, and monitor these impacts. In accordance with Executive Order 13807 – *Establishing Discipline and Accountability in the Environmental Review and Permitting Process for Infrastructure Projects* – BOEM is conducting its environmental analyses in a transparent, coordinated, and streamlined fashion and ensuring that decisions are informed by the best available science.

A large portion of the environmental work BOEM performs is in support of the National OCS Program. The 2020 Request provides significant increases specifically for the implementation of the new National OCS Program. The planning and execution of anticipated lease sales requires

environmental studies, which provide the foundation for science-based decisions within the new National OCS Program, as well as environmental analyses, outreach, and coordination with stakeholders. Due to the potential scope of the new National OCS Program, more environmental studies are necessary to address data gaps in baseline information within frontier areas, in addition to the studies needed within more mature areas, such as the Gulf of Mexico. These resources will also support NEPA analyses, stakeholder engagement on sale-related environmental impact statements, Endangered Species Act Section 7 and Essential Fish Habitat consultations, and Coastal Zone Management Act coordination.

Environmental program funding supports the scientific research needed to inform policy decisions regarding energy and mineral development on the OCS. BOEM facilitates top-quality research by talented scientists from a range of disciplines that is targeted to support BOEM's decision-making and policy needs and priorities. The valuable data collected through BOEM's environmental efforts are used not only within BOEM, but also by other federal agencies, state governments, and other stakeholders. To generate more information at a lower cost by pooling resources, BOEM leverages funds and expertise through partnerships within the Department and with other federal agencies, states, and academic institutions. Combining resources to satisfy common scientific needs is a central component of BOEM's approach to gathering robust scientific information for its decisions and consultation processes. From FY 2013 to FY 2018, BOEM provided over \$80 million to federal partners to conduct BOEM-designed scientific environmental work to support its programs.

The National OCS Program, including its environmental component, is a priority for BOEM, and its implementation will help put the United States on a path towards greater energy security and prosperity. In whole, the 2020 Request supports the balanced management of OCS resources, thus encouraging offshore energy exploration and production, while ensuring that any activity is safe and environmentally responsible.

CONCLUSION

BOEM plays a vital role in advancing the Administration's comprehensive approach to expanding responsible development of all forms of domestic energy resources as part of a broad effort to secure the Nation's energy future, benefit the economy, enhance national security, and create jobs. In a time when serious fiscal constraints demand difficult tradeoffs, we appreciate the critical resources provided this fiscal year. It is important to build on this level of investment moving into the next fiscal year, and the 2020 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.