

**Statement of
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House Committee on Natural Resources
Subcommittee on Energy and Mineral Resources**

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Chairman Lamborn, Ranking Member Holt and members of the Subcommittee, I am pleased to appear before you today to discuss the President's fiscal year (FY) 2015 budget request for the Bureau of Ocean Energy Management (BOEM). This 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. Renewable electricity generation from wind, solar, and geothermal sources has doubled since 2009.

Powering Our Future

BOEM is responsible for managing 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.

The FY 2015 Budget Request

The FY 2015 budget requests \$169.8 million for BOEM operations, which includes \$97.3 million in offsetting collections (approximately \$94.9 million from rental receipts and nearly \$2.5 million from cost recovery fees). This is an increase in budget authority of \$2.9 million above the FY 2014 enacted level and a \$3.4 million increase in net appropriations. The request will support critical ongoing efforts and core Bureau responsibilities. BOEM's FY 2015 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 a programmatic environmental impact statement in support of the next Five Year Program.

Key Priorities and Accomplishments

BOEM's FY 2015 request will build on recent accomplishments and support critical ongoing efforts.

Renewable Energy Development

A true 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.

In 2013, the Department and BOEM advanced history-making renewable energy efforts. As part of President Obama's Climate Action Plan to develop domestic clean energy sources and cut carbon pollution, BOEM completed the Nation's first two competitive lease sales for renewable energy in Federal waters. The sales generated \$5.4 million in high bids for 277,550 acres on the Outer Continental Shelf (OCS) in areas offshore Massachusetts, Rhode Island, and Virginia. If fully developed, these areas combined could generate enough renewable energy to power 1.7 million homes. These lease sales were developed 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.

BOEM has issued five commercial offshore wind energy leases and approved the construction and operations plan for the Cape Wind project offshore Massachusetts. BOEM has also announced a proposed auction for Maryland later this year and expects to announce additional auctions for wind energy areas offshore New Jersey and Massachusetts later this year. BOEM expects to identify additional areas offshore North Carolina and New York during FY 2014, and to identify areas offshore South Carolina during FY 2015. Identification and subsequent analysis and review of wind energy areas enable potential lease sales within those areas to move forward. 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. For example, the Department recently announced a decision that gives a green light for a company to submit plans for a 30 megawatt project designed to demonstrate floating wind turbine technology offshore Oregon.

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 2015. 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 12 such

task forces consisting of 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.

Conventional Energy

BOEM manages access to and fair return for the energy and mineral resources of the Outer Continental Shelf 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 May 1, 2014, BOEM administers 6,204 active oil and gas leases on nearly 34 million OCS acres. Production from these leases generates billions of dollars in revenue for the Federal Treasury and state governments while supporting tens of thousands of jobs. In calendar year 2012, OCS leases provided 482 million barrels of oil and 1.58 billion cubic feet of natural gas, accounting for about 20 percent of domestic oil production and six percent of domestic natural gas production.

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. During fiscal year 2013, BOEM held three lease sales, which generated a combined total of more than \$1.4 billion in high bids. In March of this year, BOEM held additional sales in the Gulf of Mexico that garnered over \$872 million in high bids. Another lease sale is planned for August 2014, and two lease sales are planned for 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 has developed a framework for the acquisition and management of Geological

& Geophysical (G&G) data within the Mid- and South Atlantic. 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.

Beginning in FY 2014, BOEM will begin enhancing 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.

In addition to carrying out the current Five Year Program, 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. So while efforts to begin developing the next Five Year Program are already underway, FY 2015 will be a critical year for the development of the Program.

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. During FY 2013, demand for these marine minerals increased dramatically due to recovery and restoration efforts related to Hurricane Sandy. BOEM estimates that in the aftermath of Hurricane Sandy in November 2012, the amount of OCS sediment conveyed will have nearly tripled – from 11 million cubic yards of OCS sand in FY 2012 to more than 30 million in FY 2014.

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.

Environmental Programs

BOEM, in coordination with the Bureau of Safety and Environmental Enforcement (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.

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.

Throughout fiscal years 2014 and 2015, BOEM will complete environmental reviews in support of mission-critical activities and lease sales included in the current Five Year Program. In FY 2015, BOEM requests funding to complete a comprehensive programmatic environmental impact statement (PEIS) in support of – and necessary for – the development of the next Five Year Program (2017-2022). 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. BOEM recently published a programmatic environmental impact statement analyzing proposed G&G activities in the Mid- and South Atlantic, the results of which may be used to inform the development of the next Five Year Program.

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. Studies planned in FY 2014 range from addressing the impacts of oil spills to evaluating impacts from new renewable energy development technologies to improving baseline characterizations and trend information. Special focus this year is given to work on marine mammals, birds, marine hydrokinetics, sea ice, air quality, and long-term and cumulative impacts, with an emphasis on partnerships to conduct studies.

BOEM decisions and management of OCS oil and gas, marine minerals and renewable energy development 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. In particular, the funding requested in FY 2015 for the programmatic environmental impact statement will directly support the decision-making and development of the next Five Year Program.

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 2015 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.