

OFFSHORE DRILLING: STATE PERSPECTIVES

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

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OVERSIGHT HEARING ON “OFFSHORE DRILLING: STATE PERSPECTIVES”

Tuesday, February 24, 2009
U.S. House of Representatives
Committee on Natural Resources
Washington, D.C.

The Committee met, pursuant to call, at 10:05 a.m. in Room 1324, Longworth House Office Building, Hon. Nick J. Rahall, II, [Chairman] presiding.

Present: Representatives Rahall, Hastings, Abercrombie, Grijalva, Costa, Heinrich, Capps, Inslee, Tsongas, Kratovil, Brown of South Carolina, Gohmert, Smith, Wittman, Broun of Georgia, Fleming, Coffman, Chaffetz, and Lummis.

The CHAIRMAN. The Committee on Natural Resources will come to order, please. The Chair, at the very outset, is going to recognize the Ranking Minority Member, Mr. Hastings.

Mr. HASTINGS. Thank you very much, Mr. Chairman. It is with great regret that I inform the Committee of an absence today.

One of our newest Members, Mr. Cassidy from Louisiana, lost his father, James Cassidy, on Sunday. I know that I speak for all of the Committee Members when I say that our thoughts and prayers are with Congressman Cassidy and his mother, Betty, and his entire family at this difficult time, and thank you for your indulgence, Mr. Chairman.

STATEMENT OF HON. NICK J. RAHALL, II, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

The CHAIRMAN. The Chair thanks its Ranking Member and wishes to express his condolences to Mr. Cassidy as well.

The Committee is meeting today for the second in a three-part series of oversight hearings designed to examine our nation's current offshore drilling policy and help to determine the course of that policy in the future.

Two weeks ago, on February 11th, we heard from representatives of environmental organizations, tourism boards, and the fishing industry. Today, we will hear from representatives of coastal state governments from around the country, and, tomorrow, we will hear from the oil and gas industry representatives.

As I said two weeks ago, these hearings are intended to afford all sides an opportunity to weigh in as we begin work to determine the best way to accommodate drilling while also ensuring that our

offshore resources are managed in an environmentally and physically responsible manner.

Our coastal states are critical to this discussion. They are literally on the front lines of the offshore drilling debate, and their needs and challenges are vitally important considerations for us all.

As I stressed at our hearing last time, I am not opposed to drilling. I understand the benefits of domestic oil and gas production, but I also am aware of the risks.

The ongoing discussion is designed to examine the trade-offs that would be involved in expanding offshore oil and gas drilling, and I look forward to working with Members on both sides of the aisle as we determine the best way to move forward. I thank our witnesses for being with us today, and we will be led off by our colleagues in this body. I now recognize the Ranking Member, Mr. Hastings.

[The prepared statement of Mr. Rahall follows:]

**Statement of The Honorable Nick J. Rahall, II, Chairman,
Committee on Natural Resources**

The Committee is meeting today for the second in a three-part series of oversight hearings designed to examine our Nation's current offshore drilling policy and help to determine the course of that policy in the future.

Two weeks ago, on February 11th, we heard from representatives of environmental organizations, tourism boards, and the fishing industry. Today we will hear from representatives of coastal state governments from around the country. And tomorrow we will hear from oil and gas industry representatives.

As I said two weeks ago, these hearings are intended to afford all sides an opportunity to weigh in as we begin work to determine the best way to accommodate drilling while also ensuring that our offshore resources are managed in an environmentally and fiscally responsible manner.

Our coastal states are critical to this discussion. They are literally on the front lines of the offshore drilling debate and their needs and challenges are vitally important considerations for us all.

As I stressed at our last hearing, I am not opposed to drilling. I understand the benefits of domestic oil and gas production. But I am also aware of the risks. This ongoing discussion is designed to examine the trade-offs that would be involved in expanding offshore oil and gas drilling, and I look forward to working with Members on both sides of the aisle as we determine the best way to move forward.

I thank the witnesses for agreeing to appear today, and I now recognize our Ranking Member, Mr. Hastings, for his opening remarks.

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

Mr. HASTINGS. Thank you, Mr. Chairman. Today, we are to hear from various states on their perspectives on OCS development.

Studies have shown that offshore drilling will create substantial economic benefits for the Federal government, as well as for the states. These benefits include job creation, tax revenue, and possible revenue sharing for the states.

Before the recess, Congress passed the largest spending bill ever, directing billions of Federal dollars to states to avert their budget crisis.

Today's hearing will focus on one of the largest sources of Federal revenue: oil and gas bonus bids, rents and royalties.

In addition, we will focus on one of the best opportunities we have to assist state governments, by sharing OCS revenue, like we do with onshore mineral receipts.

A very conservative CRS report estimated that OCS development off California would generate more than \$120 billion in revenue sharing for the State of California, money that I am sure the State of California could desperately use. The same report suggests that the Atlantic Ocean could generate more than \$76 billion in shared revenue from what are even more conservative estimates of the potential resources.

At a time when the Federal government is borrowing record sums of money to fund its programs and transferring money to the states, it seems reasonable and responsible that we should use the OCS resources available in order to help states balance their budgets.

Last year, the Democrat majority passed energy legislation that locked up 88 percent of our OCS resources and had no revenue-sharing provision for coastal states. Thankfully, this legislation died in the Senate, but, fortunately, Congress did pass legislation, or, rather, I should say, let lapse, that ended a decades' long ban on OCS development.

First, a no-revenue-sharing approach is simply not acceptable. Congress needs to establish a fair revenue-sharing program for all coastal states, expanding this common-sense policy beyond the several states along the Gulf of Mexico. This must be a priority for this Committee and Congress.

Second, many of the states testifying before us today have unemployment rates that are higher than the national average. Knowing that OCS development is not just about energy—it is also about creating new American manufacturing jobs and building the infrastructure to harness this energy—I have to wonder the extent to which these states have examined the job impacts of expanded oil and gas development and what it would mean to their states.

An American Energy Alliance study published yesterday calculated that opening the OCS would create between tens of thousands and hundreds of thousands of jobs in the states testifying before us today. Over the life of production, it would create over 1.2 million annual jobs across the country.

So, finally, Mr. Chairman, I hope today's hearing will address our nation's growing dependence on imported natural gas pipelines. Each of the witnesses before us today represents a state where there is either an existing or a proposed liquefied natural gas (LNG) terminal. From Callus, Maine, to Long Beach, California, terminals to import natural gas are popping up all across our coasts. Everyone believes that America has become too dependent on foreign energy.

I hope that the witnesses before us will explain their views on which is preferable: building LNG terminals that make their states dependent on foreign natural gas, or the responsible development of America's own natural gas resources in the OCS that will create new jobs and bring revenue to their states?

In closing, this issue is of major national significance. America is too dependent on foreign nations for our energy supplies. We can, and should, determine the most responsible way to develop our OCS resources. I believe that we can free America from our dependence on foreign oil, free America from imported foreign natural gas, and invigorate America's economy by harnessing the resources

of America's OCS to create more energy with the skill and knowledge of the American worker.

So, with that, Mr. Chairman, I look forward with you to hearing from today's witnesses.

[The prepared statement of Mr. Hastings follows:]

**Statement of The Honorable Doc Hastings, Ranking Member,
Committee on Natural Resources**

Mr. Chairman, today we are to hear from various states on their perspectives on OCS development. Studies have shown that offshore drilling will create substantial economic benefits for the federal government as well as for states. These benefits include job creation, tax revenues and possible revenue sharing.

Revenue Sharing

Before the Recess, Congress passed the largest spending bill ever, directing billions of federal dollars to states to avert their budget crises.

Today's hearing will focus on one of the largest sources of federal revenue: oil and gas bonus bids, rents and royalties. In addition, we will focus on one of the best opportunities we have to assist state governments—by sharing OCS revenue like we do with onshore mineral receipts.

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At a time when the federal government is borrowing record sums of money to transfer to the states, it seems reasonable and responsible that we should use the OCS resources available in order to help states balance their own budgets.

Last year, the Democrat Majority passed legislation that locked up 88 percent of our OCS resources and had NO revenue sharing provision for coastal states. Thankfully this legislation died in the Senate and instead Congress passed legislation that ended the decades long ban on OCS development.

A "no revenue sharing" approach is simply not acceptable. Congress needs to establish a fair revenue sharing program for all coastal states, expanding this commonsense policy beyond the several states along the Gulf of Mexico. This must be a priority for the Committee and Congress.

JOBS

Second, many of the states testifying before us today have unemployment rates that are higher than the national average. Knowing that OCS development isn't just about energy, it is also about creating new American manufacturing jobs and building the infrastructure to harness this energy, I wonder the extent to which these states have examined the job impacts of expanded oil and gas development and what it would mean to their states.

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LNG vs Offshore Gas

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From Calais, Maine...to Long Beach, California...terminals to import natural gas are popping up all across our coasts. Everyone believes that America has become too dependent on foreign energy. I hope that the witnesses before us will explain their views on which is preferable: building LNG terminals to make their states dependent on foreign natural gas OR the responsible development of America's own natural gas resources in the OCS that will create new job and bring revenue to their states?

CLOSING

In closing, this issue is of major national significance. America is too dependent on foreign nations for our energy supplies. We can and should determine the most responsible way to develop our OCS resources.

Mr. Chairman, I believe that we can free America from our dependence on foreign oil, free America from imported foreign natural gas, and invigorate America's economy, by harnessing the resources of America's OCS to create more energy with the skill and knowledge of the American worker.

I look forward to hearing from today's witnesses.

The CHAIRMAN. I thank the gentleman.

Do any other Members wish opening statements? If not, we will go to our colleagues, and we are very happy to have two of them with us today comprising Panel Number 1. First, is Representative Sam Farr from California's 17th District, to be followed by Representative Dana Rohrabacher from California's 46th District.

Gentlemen and Dear Colleagues, we welcome you. We do have your prepared testimonies, and, of course, they will be made part of the record as if actually read, and you may proceed as you wish.

STATEMENT OF HON. SAM FARR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA [17th DISTRICT]

Mr. FARR. Thank you very much, Mr. Chairman and Ranking Member Mr. Hastings and Members of my old Committee. I really appreciate this opportunity to testify before you today, and I feel it is quite an honor to be here.

It is interesting you are introducing us because, in California, if you introduced both of us, you would introduce me as from Northern California and Mr. Rohrabacher from Southern California. We still have this territorial distinction in our great state.

I am a coastal legislator and have been involved in these issues for a long time, and one thing that I have learned for sure is that our oceans are sick, and you have heard that testimony in this Committee over and over again.

I would like to voice my opinion strongly in favor of reinstating the moratorium. Let me explain.

I represent a district that has the fifth-largest, onshore oil deposits in California. We have a vigorous oil drilling program onshore.

Offshore, we have put the entire ocean and coastal area into the largest marine sanctuary in the United States, and, in that statutory law, we prohibited oil drilling in the ocean.

I am here today to advocate on behalf of the smart use of oceans, first, on expanded oil drilling operations in the Outer Continental Shelf, it is clear that these activities are not without risk. The OCS drilling process offers numerous opportunities for environmental risks, exploration risks, extraction risks, and transportation risks.

In 1969, the Santa Barbara spill was the type of environmental disaster that must be prevented. Another spill would be an enormous insult to the coastal economies, the industries and ecosystems, and an embarrassment to the government that leased the land for such purposes.

The potential threat they pose is intolerable, and the proposed minimal benefits from new drilling operations do not outweigh the potential risk. In political terms, it is high risk, low gain.

Further, the debate on oil drilling seems archaic, given our understanding of the adverse effects of oil consumption on our atmosphere. Our economy seems to be oil addicted, and we have been talking a lot about how we must be less so.

If renewable energy sources receive the same level of investment as fossil-fuel-based sources, we would make substantial strides in ending our oil dependency. If the goal is to reduce carbon emissions, we might as well get used to the fact that drilling is not the solution, especially when clean, renewable energy sources are within our grasp, many of which come from the use of the ocean. The development of ocean tide flows, current flows, thermal energy, wave motion, and wind energy are all in the energy plans and near production.

I have long been an advocate for ocean conservation. I am not alone in holding this view that healthy oceans mean healthy economies and healthy people. I believe, from your previous hearings, you have seen fishermen, environmental NGO's, and President Bush's own Commission on Ocean Policy all agree. No discipline of the Outer Continental Shelf resources should proceed without recognizing that a type of ocean zoning is essential in the first step. Look before you leap. Plan before you develop.

The OCS is the host to many different regions ideally suited for different purposes. There are fishing regions, there are aquaculture regions, and there is wind farming. There are other regions that unique to critical habitats and must be conserved.

Sometimes these purposes can occur together, but not always. A process must be put in place to, first, assess and then allocate areas of OCS so that the ocean, the industries, and economies all benefit in a sustainable fashion, and that is the key word: "sustainable."

Finally, both the Pew Oceans Commission and the U.S. Commission on Ocean Policy highlight urgent need for a permanent ocean conservation trust fund. The reinvestment of OCS revenue sources into this fund would represent a durable source of funding the state and Federal ocean conservation programs. We have put no money into creating health in the oceans.

Currently, only 25 percent of the OCS drilling is statutorily allocated. Seventy-five percent of the revenue is lost in the general fund. It is an income just going in and getting lost. Only if a quarter of the 74 percent were redirected to the Ocean Trust Fund, you would find a huge investment in ocean health. Reinvestment of revenues generated from the ocean to put back in the ocean is a smart thing to do.

For too long, we have reaped the fullness of the ocean's bounty. This bounty is neither inexhaustible or unlimited, and we cannot expect to take forever without needing to give back.

I ask this Committee to do two things. First, I urge this Committee to move to reinstate the moratorium on drilling lease expansion. It has been here through many administrations and only expired last fall.

I urge this Committee to consider any use of Outer Continental Shelf money as conditional on both good planning for ocean resource use and the establishment of a permanent Ocean Trust Fund.

I would be glad to answer any questions you might have. Thank you.

[The prepared statement of Mr. Farr follows:]

**Statement of The Honorable Sam Farr, a Representative in Congress from
the State of California**

Chairman Rahall, Ranking Member Hastings, and Members of the Committee: Thank you for this opportunity to testify before you.

Today, you are taking up the issue of drilling on the outer continental shelf (OCS), as the moratorium was allowed to expire in September of last year. I would first like to voice my opinion strongly in favor of reinstating the moratorium. I will then expand on several other corollary issues that this drilling debate has raised. The state waters of my district, California's 17th, are entirely protected by the Monterey Bay National Marine Sanctuary and thus my presence here today is not motivated by my desire to protect my own coastline from fossil fuel exploitation. Rather, I am here to advocate on behalf the oceans: perhaps the greatest natural resource on earth and one which we all share.

First, on the issue of expanded drilling operations in the OCS, it is clear that these activities are not without risk. The OCS fossil fuel extraction process offers numerous opportunities for environmental risk, from exploration, to extraction, to transport. True, the oil spilled from these sources represents a small contribution to the total oil spilled into the oceans, but that fact does not negate its impacts. My own district on California's central coast may not be subjected to drilling, but we are not immune from the effects of oil exploitation. A recent small spill within San Francisco Bay injured birds from my district and in some cases prevented our fishermen from working their normal waters. On a larger scale, the 1969 spill from Platform A in Santa Barbara is precisely the type of environmental disaster that must be prevented. A repeat of this event would represent an enormous insult to coastal economies, industries and ecosystems. Granted, such spills are rare, but the potential threat they pose is intolerable. The proposed minimal benefits of new drilling operations do not outweigh the potential risks.

Further, the debate on fossil fuel extraction seems almost archaic given our understanding of the adverse effects of their consumption on our atmosphere. Granted, our economy is still oil-addicted, but if alternative, renewable energy sources received the same level of investment as fossil-fuel based sources, surely we could make more substantial strides in weaning our oil dependency? If the U.S. goal of reducing carbon emissions is to be realized, we might as well acquaint ourselves with the idea that drilling is not the solution, especially when clean, renewable energy sources are within our grasp. Re-opening the OCS for fossil fuel exploitation is simply illogical given present concerns over the use of fossil fuels and emission reduction targets.

There was concern in last week's hearing that decreasing U.S. fossil fuel exploitation would result in increased foreign fossil fuel exploitation with an associated greater environmental cost. I disagree with this logic for two reasons. First, as the number one energy consuming nation, if the U.S. can reduce its own demand, there will be less production incentive in other nations. Second, as a global leader, U.S. progress towards independence from non-renewable fuels will certainly have a positive, long term, global effect.

As you know, I have long been an advocate for ocean conservation. I am not alone in holding the view that healthy oceans mean healthy economies and healthy people. The debate we are having at present brings to the forefront several other key issues that warrant further discussion: marine spatial planning and ocean conservation funding.

Unlike terrestrial regions opened for development, there is no comprehensive spatial planning system for the oceans. This is problematic because, like terrestrial regions, the oceans are comprised by a staggering diversity of different habitats and resources. It is imperative that a system is developed whereby the layout of these different resources can be assessed and their uses coordinated. The OCS is host to many regions, some of which will be ideally suited for fishing, or aquaculture, or wind farming, or wave energy generation. There will be other regions that are unique or critical habitats, which must be conserved. In some cases, these multiple uses can occur simultaneously, but in other cases, they are mutually exclusive. A process must be put in place to first assess and then allocate areas of the OCS so that the ocean, industries and economies all benefit.

This process is termed marine spatial planning and should begin with a comprehensive review of resources in the OCS conducted in coordination by appropriate state and federal agencies. Then, determinations can be made based on the best available science as to which resources can be utilized in which places. I believe that we are on the brink of large-scale development of alternative, renewable energy resources, and it is essential that this development occurs in the most scientific, orderly and effective way possible.

Finally, in their assessments of the state of ocean policy in the U.S., both the Pew Oceans Commission and the U.S. Commission on Ocean Policy underscored the urgent need for a permanent ocean conservation trust fund. In its 2006 Ocean Policy Report Card, the Joint Ocean Commission Initiative gave the U.S. an F in the “new funding for ocean policy and programs” category. In 2007, the grade was a D+. Clearly, more effort and investment is necessary to address this deficiency.

Given the expected utilization of OCS resources for renewable energy and other uses, I would urge you to consider the following fact: the oceans are a common resource, they belong to everyone. It is incumbent upon current OCS users, who are extracting billions in revenues from the oceans, as well as future users, to reinvest a portion of their revenue back into its source, the oceans themselves. I have personally proposed the creation of such an Ocean Trust fund in my bill, HR21, which has been introduced and referred to your committee. This fund would satisfy the recommendations of the Ocean Commissions. Reinvestment of OCS resource revenue into this fund would represent a durable source of funding for state and federal ocean conservation programs and is a logical reinvestment of revenues generated from the ocean back to the ocean. This fund would support the focused efforts of coastal states, territories and agencies in addressing the critical ocean and coastal science, management and protection needs of our nation and is essential to implement the many other recommendations of the national ocean commissions.

For too long, we have reaped the fullness of the oceans’ bounty. This bounty, however, is neither inexhaustible nor unlimited and we cannot expect to take forever without giving back. I urge you to move to reinstate the moratorium on drilling lease expansion. I further urge you to consider any resource exploitation activities conducted in the oceans over the Outer Continental Shelf as conditional on both the merits of good planning and the establishment of an ocean trust fund and reinvestment in it.

Thank you very much for this opportunity to speak to you today.

The CHAIRMAN. Thank you, Sam. Dana?

STATEMENT OF HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA [46th DISTRICT]

Mr. ROHRABACHER. Thank you very much, Mr. Chairman and fellow Members. I appreciate this opportunity to testify on an issue that deserves a much more serious discussion than it has been given for these last four decades.

Let me preface my remarks by noting that I am a surfer. I was proud to be the best surfer in Congress until another one was elected—that is Brian Bilbray—and now that Duncan Hunter, yet another surfer, has been elected, I am, rightfully, the third-best surfer in Congress; however, it has been agreed to that I am now the Chairman of the unofficial, yet powerful, Surfers’ Caucus.

The CHAIRMAN. Is this the ocean?

Mr. ROHRABACHER. With that said, I love the ocean, and preserving it is a high priority for me. I am also a scuba diver, and if I thought that offshore drilling imperiled the ocean, I would oppose offshore oil drilling, but that is simply not true.

Decades ago, there were a few well-published accidents that led to oil spills. 1969 is a long time ago. We should not be basing our judgments on what is important for our people, or what is good for the economy, based on what was done with technology that was put to use in 1969. That was probably technology that was developed long before 1969.

The technology since those days has dramatically improved. Hurricanes can go right through our offshore oil operations in the Gulf of Mexico without one drop being spilled. But even with the old technology, the chances of an oil spill are much more ominous by

tanker-delivered oil than by that oil that is provided by offshore rigs.

In my own district, which has had offshore drilling for more than 30 years, there has been no significant problem with these offshore rigs, yet, shortly after I was elected, there was a major oil spill from a tanker, and, remember, the more you say you cannot drill, the more the environmental radicals have prevented us from doing that offshore oil drilling, the more oil we have had to deliver by tanker. They, ironically, have made it more likely to have oil spills off California and off my district.

So those who claim the mantle of environmental champion and aggressively oppose offshore oil drilling have, ironically, made oil spills more likely.

Furthermore, by making us more dependent on foreign production, which is not encumbered in many of these countries by the same safety and environmental standards which I support, the overall pollution, then, because when we are getting our oil from overseas, it often does not have these same standards, the overall pollution and environmental outcome has been a total disservice to environmental concerns, again, turning everything on its side and upside down. The environmentalists are ending up arguing for something that hurts the environment when looked at in a rational discussion.

So the environmental consequences of restricting offshore oil and gas development have been exactly opposite to the approach that we were led to believe. Having scuba dived, which I have, below and around offshore rigs along California's southern coast, I can assure you, the local fish are healthy and plentiful.

Their natural instincts, which would drive them away from something that had something that was going wrong with their body, their natural instincts, I believe, are better than the political instincts of those who have been in the forefront of the fight against offshore oil drilling. But the economic consequences of banning new offshore oil and gas drilling also need to be addressed.

One of the reasons our economy, I believe, has been faltering is that it has been weakened, in part, by the transfer of wealth that comes from buying oil and gas from overseas when we could produce that same energy domestically from our own offshore oil reserves. Just off the coast of California, there are enormous untapped oil and gas reserves. The low estimate, and, again, they made estimates like this, which were low estimates, in the Gulf of Mexico and found it to be much more oil than what the low estimate was; the low estimate is nine billion barrels of oil, as well as vast deposits of clean-burning natural gas.

At \$40 to \$50 a barrel, which, I believe, is what we are going to come down to, if not \$60 a barrel when things all balance out in the marketplace, at \$40 to \$50 a barrel, that represents a value offshore of California at perhaps \$500 billion, \$500 billion of wealth, and, again, that is a low estimate.

Why are the American people being denied this wealth when, of course, not developing this energy puts it at greater environmental risk? Why are we denying this to our people at a time of hardship?

The Federal government, as well as state and local governments, especially in California, sorely need new sources of revenue. It is

right there. Denying America the benefits of our own country's oil and gas deposits is a sin against our people, and it is bad environmental policy, to boot.

Most disconcerting, the real issue, I believe, that has been the driving force all of these decades and that has led to the restriction of offshore oil and gas deposits and, again, certainly has not really been the environment, as I just stated—it certainly has not been the economy. What has been the driving force that has prevented our people from having this wealth, to build schools, to provide healthcare, to make sure that we did not have to ruin our economy by buying this oil and fuel overseas? What has been the driving force? The view. It is the view.

I am sorry. Maybe the view is important. That may be might be environmentally sensitive, to really be concerned about the view. We have some more serious things to be concerned about. However, even with that issue, let me suggest that perhaps we could require a better-looking facade on the part of offshore oil rigs.

In Long Beach, they have beautiful facades, and no one complains. I will tell you right now, if we would not be developing our offshore oil rigs off of Long Beach, that city would go belly up economically.

So, let us require the facades look beautiful. Let us paint them in green trees, or whatever would make environmentalists happy.

No. I would suggest that we require better-looking offshore oil rigs, and let me also note, we can put wellheads under the water now. Again, I am a scuba diver. A lot can be done that was not done in 1969, with technology that had been developed in the forties.

The fact is that we can have underwater wellheads that have almost no chance of spilling, even in the middle of a hurricane in the middle of the Gulf.

So, it is time for us to quite worrying about the view, start standing up for the economy and the environment, but also stand up for our people, who have a right to the benefit of this vast wealth that is offshore, and especially that is true in this time of economic hardship.

Thank you, Mr. Chairman, for letting me present my case.

[The prepared statement of Mr. Rohrabacher follows:]

**Statement of The Honorable Dana Rohrabacher, a Representative in
Congress from the State of California**

Mr. Chairman, members of the Committee, I appreciate this opportunity to testify on an issue that deserves a much more serious discussion than it has been given for these last four decades.

Let me preface my remarks by noting that I am a surfer. I was proud to be the best surfer in Congress until another one was elected, Brian Bilbray. And now that Duncan Hunter, yet another surfer, has been elected, I am rightfully the third best surfer in Congress. However, it has been agreed to that I am now chairman of the unofficial yet powerful Surfers Caucus. With that said, I love the ocean, and preserving it is a high priority for me. I am also a scuba diver, and if I thought offshore drilling imperiled the ocean, I would oppose offshore drilling. But that is simply not true.

Decades ago there were a few well-published accidents that led to oil spills. 1969 was a long time ago. We shouldn't be basing our judgments on what is important for our people or what is good for the environment based on what was done with technology that was put to use in 1969. That was probably technology that was developed long before 1969. The technology since those days has dramatically improved. Hurricanes can go right through our offshore operations and the Gulf of

Mexico without one drop of oil being spilled. But even with the old technology, the chances of an oil spill are much more ominous by tanker-delivered oil than that which is extrapolated by offshore rigs. In my own district, which has had offshore drilling for more than 30 years, there have been no significant problems with these offshore rigs. Yet, shortly after I was elected, there was a major oil spill—from a tanker! And remember, the more you say you can't drill, and the more the environmental radicals prevent us from doing that offshore oil drilling, the more oil we have had to deliver by tanker! They ironically made it more likely to have oil spills off California and off my district. So those who claim the mantle of environmental champion and aggressively oppose offshore oil drilling have ironically made oil spills more likely.

Furthermore, by making us more dependent on foreign production, which is not encumbered in many of these countries by the same safety and environmental standards, which I support, we essentially increase the overall pollution of the planet. Again turning everything on its head, the environmentalists are ending up arguing for something that hurts the environment when looked at in a rational discussion. So the environmental consequences of restricting offshore oil drilling and gas development have been exactly opposite to the approach that we were lead to believe. Having scuba dived, which I have below and around offshore rigs California's southern coast, I can assure you the local fish are healthy and plentiful. Their natural instincts, which would drive them away if something was going wrong with their body, their natural instincts I believe are better than the political instincts of those who have been in the forefront of the fight against offshore oil drilling. But the economic consequences of banning new offshore oil and gas drilling also need to be addressed.

One of the reasons our economy, I believe, has been faltering is that it has been weakened in part by the transfer of wealth that comes from buying oil and gas from overseas, when we could produce that same energy domestically from our own offshore oil reserves. Just off the coast of California, there are enormous untapped oil and gas reserves. The low estimate—and again, they have made estimates like this which were low estimates in the Gulf of Mexico and found it to be much more oil than what the low estimate was—the low estimates is 9 billion barrels of oil as well as vast deposits of clean burning natural gas. At forty to fifty dollars a barrel—which I believe is what we are going to come down to, when things all balance out in the market place—at forty to fifty dollars a barrel, that represents a value offshore of California, at perhaps five hundred billion dollars! Five hundred billion dollars of wealth and again, that is a low estimate. Why are the American people being denied this wealth when of course, not developing this energy of course put us at greater environmental risk? Why are we denying this to our people at a time of hardship?

The federal government—as well as state and local governments—sorely needs new sources of revenue. It's right there! Denying America the benefits of our own country's oil and gas deposits is a sin against our people and it's bad environmental policy to boot. The real issue I believe that has been the driving force all these decades, that has led to the restriction of offshore oil and gas deposits and again, certainly not the driving force certainly hasn't really been the environment as I have just stated, it certainly hasn't been the economy. What has been the driving force that has prevented our people from having this wealth to build schools, to provide healthcare, to make sure that we didn't have to ruin our economy by buying this oil and fuel overseas. What has been the driving force? The view. It's the view. I'm sorry, maybe the view is important. That might be environmentally sensitive. But to be really concerned about the view, we have got some more serious things to be concerned about. However, even with that issue, let me suggest, that perhaps we could, require a better looking façade on the part of offshore rigs.

In Long Beach they have beautiful facades and no one complains, and I will tell you right now if we would not be developing our offshore oil rigs off of city of Long Beach, that city would go belly up economically! So let's require the facades look beautiful, lets paint them in green trees and or whatever would be make environmentalists happy. No, I would suggest that we require better looking offshore oil drilling rigs and let me also note we can put well heads on under the water now. Again, I am a scuba diver, a lot can be done that wasn't done in 1969 with technology that had been developed in the forties. The fact is that we can have underwater well heads that have almost no chance of spilling even in the middle of a Hurricane and even in the middle of the Gulf. So it is time for us to quit worrying about the view, start standing up for the economy and the environment but also stand up for our people who have a right to the benefit of this vast wealth that is off shore and especially that's true in this time of economic hardship. Thank you Mr. Chairman for letting me present my case.

The CHAIRMAN. I thank both of you. This is normally the time we allow Members of the Committee to ask the panel questions, but perhaps I will allow the panelists to ask each other questions.

[Laughter.]

Mr. FARR. We would be delighted.

Mr. BROUN. Do you need a motion, Mr. Chairman?

The CHAIRMAN. Well, before recognizing my colleagues, let me remind them that we do have a State of the Union tonight, and we have to be out of here by some reasonable hour. I recognize the Ranking Minority Member, Mr. Hastings.

Mr. HASTINGS. Thank you, Mr. Chairman, and thank both of you for your testimony. I think anybody listening today probably got the arguments on both sides right here, and this is what the issue is all about.

I just want to ask, I guess, both of you, in a broad way. Mr. Farr, you are concerned about the pollution of the oceans. The data that I have looked at, the largest contributor to oil in the oceans is natural seepage, and the second-largest contributor is runoff from urban areas. By far, way down, is the extraction process.

What is your comment on that, observation on that, statistic, which is, by the way, well grounded?

Mr. FARR. Well, two things. First of all, I think that this whole argument has to go to, how do we want to position ourselves in the future regarding our dependence on oil, and are we going to continue to be addicted and, therefore, do OCS when you have, I think, sort of high-risks/low gains.

You know, the economy of California's coastline is so much greater than all of the oil extraction, and that economy is based, like in a lot of the states, on the beauty and attraction of coast beaches. The number-one attraction in the United States of America, the number-one attraction in the whole country, for visitors is the Los Angeles beaches, and, on those beaches, you are not seeing them involved with oil spills.

I think, in response to your question about runoff, because we are killing the oceans—we are dumping everything we do not like into the oceans that we do not know what to do with, and, at the same time, we are taking everything that we want out of it, not only in food supplies but mineral supplies as well.

The oceans are paying a price for that, and we, in California, understand that urban runoff has a big ocean-pollution problem, and what we are doing, community by community, up the coast, is developing a tax base to essentially collect all rainwater runoff and pretreating it or ponding it before it goes into the ocean, essentially stopping the pollutants from getting in.

Los Angeles was the first region in the state to do that, and it has done it extremely well, and I know our community just passed a bond measure last November to do the same in my district.

So, the seepage has been a problem, but it gets exacerbated, I think, by the risk involved, as I said, by exploration risks, by transportation risks, and by extracting risks. I think those give you a higher degree of potential damage than actual seepage that occurs.

Mr. HASTINGS. Dana?

Mr. ROHRBACHER. Well, there is natural seepage, and, in fact, again—

The CHAIRMAN. Have you seen it in your area?

Mr. ROHRABACHER. Yes. I have surfed up in Santa Barbara, and it is all over my feet, and everybody knows that who surfs in Santa Barbara. The fact is that if you did not have any offshore oil wells, the seepage would be worse because the buildup would not be actually alleviated.

Let me note that the argument that, "Well, we have to get ourselves off of dependence on oil, thus we are going to restrict the amount of oil that we produce," is like saying, "You know, our people are eating too much. Let us start restricting farmers."

I mean, this does not correlate. It is not something that is going to lead to something good. Restricting the amount of food is not going to lead people to eat less.

The fact is, restricting oil has done one thing: Restricting oil development has led us to buy oil from overseas, and then what happens? It a much greater risk to transport that oil to us via tanker. So, it has had just the opposite.

In terms of urban runoff, my good friend, Sam, and I are in total agreement for those types of environmental controls and emphasis. I would actually suggest that if we really want to do it right, let us agree to offshore oil drilling and direct the revenue from the offshore oil wells to the communities along the coast who can then use those new financial resources to deal with the problem of urban runoff and some of the other major environmental issues that coastal communities have.

Mr. FARR. Can I add one thing to that point?

Mr. HASTINGS. Let me make this point because my time is running down here, and that is that if you had revenue sharing, presumably, states and municipalities along the coast could share in that revenue to do exactly what you are saying, Dana. Is that correct? Is that what you are suggesting?

Mr. ROHRABACHER. It is, but I would actually go further than that. I would suggest that we codify that so a certain percentage of the funds are not just going to the state but go directly to those coastal communities opposite that offshore oil development.

Mr. HASTINGS. Sam, and then I just want to make one more point, go ahead.

Mr. FARR. Last year, we received \$23 billion from OCS activity, and \$17 billion of that just went into the general fund. So, you have a revenue source there that could do a lot of things, and my point in this was that this Committee, as the Resource Committee, ought to take a look at that revenue stream and direct it toward doing some beneficial things for the ocean because it is distributed back to the states.

It is an awkward formula: The states get money from state lands oil drilling in the first few miles offshore. Then there is this buffer zone between the state and Federal lines, and if there is an oil rig out there, the deposits may be on underlying state lands or Federal lands, so there is a sharing process for the boundary, and then everything beyond that boundary just comes to the Federal government. Of that, as I said, \$23 billion was raised last year, and \$27 billion just went into the general fund to go be spent on other things. I believe that that is the Resource Committee's money and

that we ought to spend it on more than just the Land and Water Conservation Fund.

Mr. ROHRABACHER. Let us have a compromise here, and all the new revenue should go to the coastal communities.

Mr. HASTINGS. I was going to make precisely that argument, Dana.

One last point, I want to make: If the issue is to protect the oceans, and natural seepage is the largest polluter in the oceans—that is well established—and the second is runoff from urban areas, there is the option—I say this facetiously—for people that live on the coast to move inland; therefore, they would not have their runoff into the ocean. Do you suppose that that is an option?

Mr. ROHRABACHER. [Laughter.]

Mr. HASTINGS. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlelady from Massachusetts, Ms. Tsongas.

Ms. TSONGAS. Thank you very much for your testimony, and I agree with you, Congressman Farr, and we have heard testimony, that our oceans are sick. Living in Massachusetts, which is also a coastal state, we know that to be true, and there is much work to be done.

An important part of the debate on the use of the Outer Continental Shelf, then, obviously, has to take into account its impact on our oceans, and I think that is as true as we begin to look to the oceans for sources of renewable energy.

I am wondering what your thoughts are on a process that takes into account, as we look more and more to the oceans for that source, takes into account the potential impact of using them in that way, how your state has been working to do that, because it has been such a leader in looking at the ocean as a source of alternative energy.

Mr. FARR. Well, in the past, we have always looked at the ocean as just out there, this big, flat plane, and treated it as one spot, but, as we get more and more information, we learn that, just like on land, there are natural habitats that are unique and that should be preserved, and there are unique fish-breeding areas and things like that, as we have done on land.

When you think about San Ignacio Lagoon in Mexico, which the world opinion has preserved to allow breeding grounds for the gray whales, and that is, as we discover more of this, we are going to discover that there are wind zones, there are tidal zones, there are zones that can be tapped for energy production, and I think that is what is missing from this, that we have not thought about this as potential for all kinds of energy development, not just oil and gas, and we ought to look before we leap, and that is why I think the moratorium is important. Put it on now so that we can have a better understanding of what the potential developments for all kinds of energy uses are in the ocean, not just oil.

Ms. TSONGAS. Do you think that should be a national strategy or a state-by-state process?

Mr. FARR. Well, it ought to be a national strategy because the states only have out to three miles; we have out to 200 miles of our jurisdiction.

Ms. TSONGAS. Well, as you know, in Massachusetts, we have the Cape Wind Project, which is on Nantucket Sound, and the process of citing those wind turn bites has been as contentious as any discussion we have had about offshore drilling.

I think, as we go forward, we are going to have to take into account the natural opposition to anything that changes the sightlines or capacity to use our oceans and our sounds in a recreational capacity, and I do not think just painting trees on anything quite solves the problem.

It is a discussion we have to have, going forward, and yet we all know how we have to reduce our dependence on fossil fuels as we protect our natural resources, so thank you for your testimony.

The CHAIRMAN. The gentleman from Colorado, Mr. Coffman.

Mr. COFFMAN. Thank you, Mr. Chairman and both Mr. Farr and Mr. Rohrabacher.

It is interesting, when we talk about the revenue issue and its potential for mitigating issues, I know, in Colorado, that we have a revenue source that is derived from royalty payments for oil and gas developments that goes to local governments to mitigate any economic impact that they have in their communities, whether it is having to build new roads or, because of increased population, to do the development, to build new schools, whatever the needs are for those local governments.

I am wondering, what would be the impact if, instead of the Federal government deriving revenue from the offshore development, if we simply dedicated those revenues to those local communities that were impacted by that offshore development, or, certainly, visually impacted or potentially environmentally impacted, to develop their own programs to mitigate those effects, or even to use those dollars for other environmental programs in the marine environment? Would there be more acceptance of offshore drilling if there were a better system of dividing the revenue?

Mr. FARR. I do not think you are going to buy off the local community by sharing the revenues, and I do not think you have the votes in this Congress because we are very parochial about Federal money and not wanting to give it to local governments to spend.

In the OCS funds, there are eight statutorily derived funds from it—they are kind of locked box—and one is American Indian tribes and allottees, which get money from it, and I am sure your state receives from it: the Historic Preservation Fund, the Land and Water Conservation Fund, the Reclamation Fund. There is a thing called “state share,” which is that boundary-line money, and then the state share from onshore revenue that they get.

Those are the only funds; 74 percent of the rest of the money coming in just goes into the general fund.

I think you have to find a national purpose, if you are going to use Federal dollars, because I do not think the inland legislators just want the coastal states to get these monies, particularly to local governments, and that is why I am suggesting that we ought to earmark a fund, an Ocean Trust Fund, to deal with the aspects of governance of the ocean.

I am carrying a bill, H.R. 21, and many of you are co-sponsors of that bill. It will be before this Committee later this year, and

that is the concept there, to pay for that governance structure with funding such as OCS.

Mr. COFFMAN. If I could just go first, is not it a national purpose, and, Mr. Rohrabacher, if you could also reflect on this, is not there a national purpose right now, in terms of the economic and national security of this country, economic security, lessening our trade deficit, national security?

I am an Iraq War veteran, and kind of tired of having our dollars go to regimes that do not necessarily like us.

Mr. FARR. Well, I guess that is Mr. Rohrabacher's argument, that we ought to drill in U.S. before we buy oil abroad, and that is certainly a great argument. I just think we ought to be smarter about how we develop energy systems. I think that is part of this whole economy, the green energy issue, which has really caught on in California—that is where the venture capital, private money is going—and we ought to be appreciative of that and support it.

Look, offshore oil in California is about 10 percent of the entire California oil supply, the production. It is very little, and it is high cost to get out to the ocean. I think if you had a lot of oil companies here, and you asked them, "Would you rather grow onshore rather than offshore?" they would all tell you, onshore is a lot less expensive and probably safer.

Mr. ROHRABACHER. Let me just suggest that restricting offshore oil development has not meant that we will be producing energy in another, more environmentally efficient manner. We, obviously, now bring it in from overseas, which has made it more likely to have an oil spill, as I mentioned, but just like our colleague from Massachusetts can tell you, they have tried to put not oil rigs offshore but windmills, and, even with that, you have had total opposition or enormous opposition.

Solar installation. I have a bill that is asking the Bureau of Land Management to facilitate, rather than block, the request for permits to put solar energy facilities in our deserts. We have 190 of these that have been held up for five years because people are more concerned about the little insects and the lizards and their habitat than about producing clean energy.

It does not mean, just because we are going to restrict offshore oil, that we are going to get that energy from someplace else. This same gang that is opposing offshore oil wells is generally opposing these other things as well.

We need to do what is in the interest of our country, environmentally, economically, and every other way, and the best thing for us to do would be to take these revenues from the new offshore oil revenues, give it to these local communities along the beach to handle the runoff, which Sam and I agree on.

In my own city, Surf City, USA—Huntington Beach—they had a horrible challenge about finding money to fix the sewer systems. Let us use that money from offshore oil rigs to fix the sewer systems in coastal communities.

Now, these are things that would have tangible, positive results rather than all of the rhetoric we have been hearing for three decades about what happened in 1969 at the Santa Barbara oil spill.

The CHAIRMAN. The gentleman's time has expired. The gentleman from New Mexico, Mr. Heinrich.

Mr. HEINRICH. I wanted to return to this idea you brought up about more of a zoning approach. I am not an all-or-nothing person when it comes to OCS, and I do agree with Mr. Rohrabacher that we should start avoiding the rhetoric and actually move toward some places where we might have common ground.

I am intrigued by this idea because, obviously, when it comes to how we manage our surface resources, for example, throughout the Intermountain West, we take a zoning approach. We do not drill in national parks and wildlife refuges, but we do drill on many places where we find that is the highest-and-best use.

I am curious as to what you think some of the steps we need to take to have a more accurate, zoned approach to OCS resources would be. As you know, I have spent quite a bit of money in your district because of, basically, the diving resources that are there. That is a big part of the economy, and, with all due respect to Mr. Rohrabacher, I am not really interested in going to Monterey to dive on an oil rig. That said, there may well be places where that is the highest-and-best use.

Mr. ROHRABACHER. The fish are pretty good off those oil rigs.

Mr. COFFMAN. How do we move toward a more accurate way of looking at this, in a more nuanced way, instead of an all-or-nothing approach?

Mr. FARR. That question is the problem for the U.S. Government because we have never had a comprehensive policy about the oceans. It has all been stovepipe, and we have 144 different statutory provisions relating to the ocean, and almost every single agency of the Federal government has a different administrative role.

This bill that has actually come out of this Committee—I have been working on it for about six years—is this whole comprehensive policy that was given to us as recommendations by not only one oceans commission, but two, one created by Congress, and the other created by a nonprofit. Their recommendations are very similar, and they are into this bill.

It is not zoning, per se, because what we do not do is create any new government. We work with the existing regional processes, but there is a lot more coordination of decision-making and information in this so that the right hand knows what the left hand is doing.

I think you are going to hear, in the next panel, what California has done with its offshore own state lands. They have begun, way ahead of the Federal government, creating marine protected areas, essentially, the first part of kind of what are areas that have such significant biological significance that they need to be protected from fishing?

There are ones that there are “no fish, no take,” and there are others where there is a limited take and limiting fishing. Different styles fit different environmental ecosystems, and you can hear from the next panel that it was done with a lot of controversy but, nonetheless, the states put them into place, and way ahead of the Federal government.

President Clinton directed that we create, in the Federal system, marine protected areas, but we have not yet done that.

I might add that one of the experts on this whole issue of offshore oil drilling, who represents it more than anybody in the country, is sitting here in this Committee. It is Lois Capps, who rep-

resents Santa Barbara, and she is certainly familiar with the pressures from both the environmental community and the drilling community, and that community has developed a lot of expertise in the risk issue and also the cost-benefit issue.

Mr. COFFMAN. One more question for you real quick, Mr. Farr. Regarding the idea of the Ocean Trust Fund, I am very familiar with the Land and Water Conservation Fund. It has had an enormous positive benefit on the State of New Mexico. We have not always been good about making sure those dollars get spent where they were designed to be spent. Do you have any concern that we would create this Ocean Trust Fund but then, you know, fail to fund it?

Mr. FARR. Well, of the OCS money, only 3.8 percent goes to the Land and Conservation Fund, and it is set in that fund, but Congress does not always appropriate all of the monies, something that this Chairman, Chairman Rahall, has been very concerned about. The money is there, and we have not been appropriating it.

I do think we can put conditions on that Ocean Trust Fund, certainly, to manage it any way one would think necessary, but I do think it is important that this Committee create such a fund. We need a process. We have done that for exploring space, and yet that policy has not yet been developed for the ocean, and, you know, that is 73 percent of the planet.

It is interesting that Google—you might have heard it from this Committee—has always had this site, “Google.earth,” and Sylvia Earl pointed out that if 73 percent of the earth is not even in your site, you cannot call it “Google.earth”; you have to call it “Google.dirt.” But just last month, Google opened up all of what is known in exploration of the oceans, and it is very, very small.

There is a whole frontier out there, and I think that my point here is that Congress, in their wisdom—it is a huge resource-policy issue—is that we really need to look before we leap. We need to be a little bit smarter about how we are going to approach the oceans rather than just doing the same old, same old, because there is oil out there, we take it; there are fish out there, we take it; and we dump things. We just cannot do that anymore. We have to be smarter about this, and that is the point of this whole hearing.

Mr. ROHRBACHER. I would suggest that if we are really going to do this smarter, and I agree with you on some of the challenges that you have outlined for us, in terms of oceans—again, I am a scuba diver and a surfer. I want to protect the oceans, setting up a fund here in Washington, D.C., being managed by who knows who, whatever special interests managed to get themselves appointed to head the fund, I think, is a lot less effective than giving the money to local communities, like Huntington Beach, to correct their sewer problem, and I think that that will be much better spent, and the people, locally, know.

We care about the ocean locally. We are in the ocean, and we depend on it for tourists, but give that revenue to the local communities, not to some national fund, and it would be more wisely spent. But I agree with Sam that we should be spending much more money on the oceans. NOAA should have a budget that is much higher, and, in fact, I think NASA and NOAA should be basi-

cally on par with each other because utilizing the oceans, like utilizing space, for the benefit of mankind makes all of the sense in the world, and investing in that makes all of the sense in the world as well.

The CHAIRMAN. The gentleman from Virginia, Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman.

Gentlemen, I think you have brought up some great points, specifically concerning onshore runoff into the oceans. I think we have all kinds of challenges there—ocean acidification—so I think those are obviously apart of an issue, and you speak of a comprehensive ocean policy. I think that is absolutely needed.

If we go back, though, and we get to the energy issue, it seems like, to me, too, also going forward, that we need a comprehensive energy policy looking at all of the different sources of energy. I do not think anybody here does not believe that we should not be pursuing aggressively alternative and renewable sources of energy but also looking at the sources of energy that we have here in the United States as a bridge to that and, hopefully, getting away from some of those foreign sources.

Let me ask this. I know both of you all have, what seems like to me, some things in common but also some differences, but what do you see as our development of a comprehensive energy policy and using our sources of energy while we can quickly get to these alternative and renewable sources that, hopefully, take us into the future because we all know we are at peak oil production right now. The world is not going to find any more oil, so that is a decreasing source, but we have to make sure we transition.

Obviously, we want to do that safely. Having been an environmental health specialist for 27 years, and looking at the current technology, it does appear as though we can put proper controls in place for development of our own sources and minimize risk. Now, we will never get risk to zero, but I think we can manage it and minimize it, and I just want to get your thoughts and ideas about how that part of a comprehensive energy policy should take place.

Mr. FARR. Well, as you know, from your professional background, that the best investment and fastest investment is conservation. Use less, and you have more resources to distribute.

California, before you got elected, when I was here, we had the big energy crisis in California, and I think the joke around Congress was, “It is you, all you Californians out there, in your SUVs and hot tubs drinking your Merlot. You just deserve to have big energy costs.”

Well, now, it is very interesting because what we have discovered is that California, per capita, is the lowest user of energy in the United States, and how did we do that? That is the answer to your question. We did it piece by piece. We did it in energy conservation in building materials. We did it in less water usage, less pumping charges, irrigation practices. It was just sort of all of these best management techniques, including business that led it and made money on it because you buy the equipment from the private sector.

I think that that is a good lesson, that there is a great economy out there that has not yet been tapped, and it is doing things and just doing them smarter.

Now, that is my point, and there are a lot of green carrots out there in that stimulus package to get that investment and to get those things built. I tell you, it works, and, again, the experts on that for the state are sitting right behind me, and they are going to be on your next panel, and they can give you a great deal of detail and politics about it.

Mr. ROHRABACHER. I would agree with my good friend, Sam, that we need a comprehensive approach to energy, and I believe that those people who are opposing offshore oil are just fencing off an area that should not be fenced off from a comprehensive approach, but I certainly am very supportive.

For example, I think that we have invested in solar energy research. I have been in Congress over 20 years. We have been supporting it, the Science Committee, research into solar energy, all of these years, and that has been bipartisan support, and we have now reached a point where solar energy is very competitive with other sources of energy. I believe the comprehensive approach America should take—I know this is going to surprise a lot of people, but the electrification of our country. Transportation and other uses of electricity should be expanded, and then we should seek to find clean ways of producing electricity.

We have nuclear power, which is an alternative. Again, some of those people who claim to be for the environment have opposed nuclear energy development, which, in and of itself, as we know, is a clean source of electricity. They have a thing called the “high-temperature, gas-cooled reactor,” which now solves the waste problem, and we should be moving forward in developing these new types of reactors that are safer and solve the waste problem. We should move to electrification of our railroads, electrification of cars. These are things that we should move forward, but we need to produce electricity then.

The same people who are opposing offshore oil development calling themselves “environmentalists” are opposing windmills off of Nantucket, and they are also opposing solar energy installations in the desert because they are concerned about those lizards and ants and their habitat.

We need a comprehensive and full commitment on producing and electrifying America. That is the clean source of energy that will make our air cleaner, keep our oceans cleaner, and, again, I agree with Sam that we ought to make sure we spend more money on ocean-related research and activities. Thank you.

The CHAIRMAN. The gentleman’s time has expired. The gentleman from Arizona, Mr. Grijalva.

Mr. GRIJALVA. Thank you, Mr. Chairman. Granted that, in Arizona, we are not as intimate with this issue of offshore drilling as some of the other states that are represented.

If I may, just a reaction from my colleagues, and thank you both for your comments today. Recently, Secretary Salazar delayed the implementation of the previous administration’s five-year plan on leasing oil and gas exploration offshore. He extended the comment period for 180 days—that would take us into September 23rd; canceled the scoping meetings that were to be held in preparation for the implementation of the Bush proposal, and, instead, there are going to be four regional meetings.

He has instructed appropriate agencies to develop information about fossil and renewable resources offshore, with the strong suggestion that more information is needed, and how are we going to obtain that information: cost-benefit, environmental issues, economic issues, obviously.

So, your reaction not only to the postponement but to this renewed longer process and the discussion of the five-year plan. Mr. Farr?

Mr. FARR. Well, I support his effort because that was placing a moratorium, which, frankly, I think this Committee led the effort, long before I got here, through many different administrations. Bush I, I remember, was involved in supporting. In fact, the National Marine Sanctuary in my area was signed into law by Bush I. It is the largest marine sanctuary, and it prohibited oil and gas.

I think that there is obviously a knowledge that we need to know more about the ocean and the impacts on the ocean before we just continue to do same old, same old policy that treats the oceans like land. I think that the issue here is probably best stated by T. Boone Pickens, who has made all of his money in oil, and he is here telling you, you cannot drill your way out of this problem, and he echoes Dana's concerns more than anybody about the importation of foreign oil.

So, how do we develop this policy? I think that is the big issue. There are so much smart things to do. Let us not just charge ahead doing things that we know are not going to be the final solution, that are not going to be high risk/low gain. So, the moratorium that he imposed, I think, makes good sense.

Mr. ROHRABACHER. I would suggest that, at a time when our men and women—I just got back from Afghanistan—a time when our men and women are being sent overseas, and let us be fair about it—if we were not dependent on those energy resources overseas, we would not probably be sending, or have sent, our people to Iraq. But for us, then, to hesitate to develop our own resources, and knowing that when we buy oil from overseas, quite often it goes to finance governments that are hostile to America's interests and, indeed, are financing people who are shooting at our own soldiers.

At a time like this, especially, and at a time of vast economic hardship, when we could use the wealth here rather than sending it overseas, not only for national security but for our economy, it makes no sense for us to be delaying the development of our own energy resources.

There needs to be a comprehensive approach. I am with Sam on that. We should not just say, "Oh, we are going to just do oil." As I say, I think solar, right now, is competitive with oil in the production of electricity. We should be moving toward producing and electrifying our society. Thank you.

Mr. GRIJALVA. Thank you, Mr. Chairman, and I agree. I think the information that is needed has to be comprehensive, and I really think it is an opportunity, and I applaud the Secretary, an opportunity to look at all consequences, intended and unintended, with the pursuit of the plan that Bush was proposing. So, let me thank the gentleman and you, Mr. Chairman.

The CHAIRMAN. Thank you. The gentleman from Georgia, Mr. Broun.

Mr. BROUN. Thank you, Mr. Chairman. I would like to ask Congressman Farr a couple of questions to kind of clear some things up for me.

Do you see a difference between—you used the words “conservation” and “moratorium on drilling”—just overall, do you see any difference between conservation and total prohibition of development?

Mr. FARR. I do not understand the question.

Mr. BROUN. Well, as a word “conservation” to you, does that mean total prohibition of development, or does that mean responsible utilization of resources? What does the word “conservation” mean to you versus “prohibition”?

Mr. FARR. To me, personally? Well, my life experience is conservation has been best-management practices, being smart about it. We have national parks, but we do not put a fence around them; we open them up. We actually contract out to the private sector to run the parks, the concessionaires. We put roads in them. We put hotels in them.

We put visitors serving accommodations, and part of that is to enjoy the incredible natural wonders, but it is also a great educational aspect for Americans, and it gets them out of doors. It is the same thing with National Forests, where we actually have oil and gas development and timber operations and other mining operations.

It depends on where you are and what the issues, but conservation is essentially being a smart use of whatever it is.

Mr. BROUN. We could, then, have responsible development of natural resources, wherever they may be, and still be good conservationists. Is that correct?

Mr. FARR. Yes.

Mr. BROUN. OK.

Mr. FARR. Yes.

Mr. BROUN. Well, then, would you agree to Outer Continental Shelf drilling if we could guarantee that there are no oil spills from that operation?

Mr. FARR. Not necessarily. That is what I think the last question went to. You make a proposal. What I point out is, where are those oil and gas deposits? We know that from our research, from the Mineral Management Agency, and prioritizing those along with on-shore capacity of being able to service offshore rigs, and we have not done that matchup.

Communities have zoned what they want for the future of their community, and sometimes just a Federal decision to come in and plop down an oil rig. It was not a Federal decision up in the cape, but those are not necessarily in balance with the local economy.

I do not think you have ever been to my district, the Monterey Peninsula—

Mr. BROUN. I have.

Mr. FARR.—but, you know, that area is a small community but one of the highest tourist communities in the United States, and what we learned is we sell scenery here. We sell coastal scenery and mountain scenery and valley scenery, and that is what people come back over and over again for.

They like to see things in their natural settings, so the emphasis goes into local communities on how to plan and how to zone and how to protect and how to make sure that that scenic look, the quality of life, is protected in those areas, and I think that is the same kind of scrutiny that needs to be given to any kind of development.

Mr. BROUN. Are you aware, then, how far out can people see, actually, if they are on the coast? For instance, if there is an offshore rig that is 50 miles out, can they see it from the shoreline, from California?

Mr. FARR. I do not know. Lois Capps ought to answer that question because there have been proposals that the oil and gas companies can hide these rigs underwater and do not have to have anything above water, and I do not know whether that is possible, but I think there is technology out there that can allow for safe production of oil and gas.

My point is that, before we just go back into that process—we have been out of it for a long time with this moratorium—that we ought to look at all of the aspects on the table and ask a lot more questions. This is sort of a question of investment, is, where is the smart use of our limited natural resources?

I think that that is both the scenic resources, and I think that that is both the scenic resources and the extraction resources that benefit society, and I think all of these arguments are just do it with the best management practices that are available, known to mankind and that they are done wisely. These lease sales are based on a lot of old data and old information that can be challenged today, and I think that is why it is so controversial.

Mr. BROUN. Well, I am a conservationist, and I agree that we need to have responsible development of resources, and I support an all-of-the-above energy policy that would help promote conservation and promote alternative sources. Would you support also an energy policy that is an all-of-the-above to go ahead and develop our resources that we have in a responsible manner but also look for alternatives and conservation, all of the other things, such as nuclear energy, wind, solar, tide, geothermal, et cetera? Would you support that kind of an energy policy?

Mr. FARR. Well, I think that we have never developed that kind of an energy policy. That is the point of this Committee's role in this discussion, is that we lack that comprehensive commitment. We have committed to what we know how to do best, which is historical oil and gas development, hydro development.

A lot of people will question whether that is the best way to get the end result, and, as you know, in California, which is the most populous state in the union, we are tearing down dams because we find that there is a higher economic value to a natural system. A lot of people live off of that natural system, including private sector fishermen, and they need healthy streams.

So, in every instance, there are trade-offs, and I think, without having a national policy of what we want to develop, whether it is going to be nuclear or oil or solar, wind, tidal, whatever it may be, that we have lacked all of these new alternatives in the mix and given them a fair opportunity to compete.

Mr. BROUN. Mr. Rohrabacher?

Mr. ROHRABACHER. I will just note that Sam did not mention that certain groups have insisted that we tear down hydroelectric dams in California. You wonder why things are going screwball in California? I mean, we are going bankrupt. We cannot pay any of our bills.

The CHAIRMAN. The gentleman's time has expired.

Mr. ROHRABACHER. That is the kind of logic—

The CHAIRMAN. The gentleman from Maryland, Mr. Kratovil. I am sorry. Going in order, I skipped Mr. Costa. The gentleman from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman.

You know, in listening to the discussion here, I am reminded of the fact that we agree on some basic concepts: one, we ought to have a comprehensive energy policy. We agree on the fact that we generally need to figure out ways in which we reduce our dependency on foreign sources of energy.

Where we, I think, get the disagreement is, how do we develop that comprehensive energy policy, and how do we do it in a way that is practical and cost-efficient that looks at the near term, the intermediate, and the long term? And no administration and no policy in Congress that I have been able to detect thus far has been able to develop a credible roadmap that uses all of the energy tools in our energy toolbox because we conveniently, for political or ideological reasons or whatever, put certain things that we do not want to put on the table, whether it is nuclear, whether it is expansion, in the near term, of Federal lands for oil and gas as a trade-off to take those revenues to further accelerate renewables, and it always becomes a zero-sum game where, instead of advancing a comprehensive energy policy in this country, more often than not, it seems to me, anyway, to become a political gamesmanship of "gotcha" as we try to deal with this political constituency or that.

Do either of you two gentlemen, who I know well and who know the political turf battles that we have in California, want to explain to me how we get past that?

Mr. FARR. Well, Jim, you and I have known each other a long time. We served together in the California legislature.

Mr. COSTA. Yes.

Mr. FARR. I do not know if there is a magic way of doing that. Essentially, that is what politics is all about, and—

Mr. COSTA. But I am talking about the policy. You and I both understand the politics. I am talking about the policy. I mean, how do we get there from here? I think the American public is frustrated that we cannot seem to sit down, on a bipartisan basis, and develop a roadmap, using all of the energy tools in our energy toolbox, near term, mid term, long term, realizing that you have to crawl, and then you walk, and then you run.

When we put a man on the moon, we did not start with the Apollo program; we started with the Mercury program, and then we started with the Gemini program, and then we advanced to a stage, eight years later, where we could go to the moon. I do not understand why we cannot be practical here.

I think a lot of the practicality is going to require that we subsidize a lot of the old-fashioned energy development, and we have not subsidized, until recently, in the discussion, the alternatives

and the new ideas that are on the table. That is what science and technology is all about.

I think, all things being equal, and you tried to do that somewhat in your energy policy in California, was to allow for consumers to buy green-generated power, to try to use market forces, that did not work very well.

I just believe that it has not been a balanced—let everybody in on equal terms, and then allow the marketplaces to decide, but it has to be equal. We have not made the laws yet to make it equal.

Mr. COSTA. Dana, do you want to take a try at it?

Mr. ROHRABACHER. Well, I think the activists basically control policy in the United States of America. I mean, activists do, and we have had activists who were very sincere people who just are stuck in the sixties, frankly. Yes, OK, we do not live in the sixties anymore.

Mr. COSTA. You had me until there.

Mr. ROHRABACHER. The fact is, is we have technology now that is better than we had back in the 1960s, and we have not had one new hydroelectric dam, not one nuclear power plant, not one new refinery in 30 years. That has meant at least a trillion dollars out of our economy that would have been there otherwise.

People should take some serious looks at the fundamentals, and the fundamentals are, and I agree with Sam on a lot of things he is talking about, in terms of using smart technology, but there are some things that are being written off that are now smart that used to be stupid. For example, nuclear power did have a big problem, but, right down in San Diego, General Atomics, has developed a thing called a “high-temperature, gas-cooled reactor” that gives us tremendous potential in dealing with the waste issue, which has been one of the main impediments to nuclear energy.

We have new technologies that are going to make windmills—attachments that you can put on these windmills that will double the amount of electricity they generate, so they are becoming competitive.

Solar energy is becoming competitive.

What we need, I believe, is to make sure that we focus our resources on developing and maintaining an open-meter system so that anybody that puts electricity into the system is getting a credit for it, and maybe even paid for, by putting it in there, and thus you can do it from all of these various sources of energy. We do not need necessarily to subsidize people; just let them make a profit in utilizing the technology that is now coming online.

I think that is the best comprehensive approach to energy that we could all agree on, and it would, again, make a very widespread area of the number of people who would be contributing to solve the problem from many different directions.

Mr. COSTA. My time has expired, but I want to thank the Chairman and observe, with both of my colleagues who I enjoy working with, that I think that the answers to the questions I posed to both of you still reflect our difficulty in trying to figure out how we develop a process to use all of the energy tools in our energy toolbox that is near term, mid term, and long term. We just cannot wish our way from Point A to Point B, and I think that is the frustration and why we are stuck without an energy policy so far.

Let me just make a note. Sam, and you and I agree, and sometimes we agree to disagree, but we have removed some check dams and smaller dams, but, in a water-deficient state as California, we are not talking about removing Shasta, we are not talking about removing Folsom, and we are not talking about removing Friant Dam. We are not talking about removing any of these major, maybe two-million-acre-feet of water deficiency, in California.

I do not want to mislead my colleagues from other states that somehow we have really lost our minds in the middle of a drought, that we are now removing all of the sources of surface supply water in the state. Nor are we removing what is my favorite dam, every time we get around this circular conversation, which is Hetch Hetchy, which is the primary source of water for the City and County of San Francisco, and which John Muir, the famous John Muir, who created the Sierra Club, had a stroke trying to save Hetch Hetchy, which he called the "Little Yosemite," but it is now a big lake. We are not talking about removing that dam either.

Mr. ROHRABACHER. Some people are.

The CHAIRMAN. The gentleman's time has expired.

The gentleman from Texas, Mr. Gohmert.

Mr. GOHMERT. Thank you, Mr. Chairman. I appreciate both of you all, and I appreciate the viewpoints, and, of course, Texas, where I am from, we have dealt with some of these issues, and we have heard Mr. Danson talking about 200 million people in the world rely on fishing, and, therefore, we should not have offshore production, but when it was pointed out that, actually, in Texas Gulf, adding the rigs has caused fishing to proliferate because they see it as an artificial reef and actually do quite well proliferation around those areas, and it has actually helped fishing.

In fact, of the 100 rigs that are taken down each year, 10 of them are reconditioned and sunk in designated places for artificial reefs, and the rest of them are taken ashore. Some of them are reconditioned and then used again.

I appreciate my friend, Mr. Costa, pointing out what he has, and I agree also with my friend, Mr. Farr, that we should have smart use of the oceans. There are critical habitats there, but man and energy production can go hand in hand, but what I have seen, from my district, as I have been all over East Texas and continue to go and talk to people, this transition to, like, solar power, which I think could end up being our best hope, and hydrogen and some of the other technologies are terrific, but it seems like solar may provide the best hope. But as I go around East Texas, the farmers tell me, "You know, we looked for a Prius tractor, and we could not find one. We are still having to buy diesel and gasoline, and that ends up affecting the price of food. It affects everything."

So, as my friend, Mr. Costa, was talking about, until we get to that comprehensive picture—and Mr. Farr, you were talking about—we are shooting ourselves in the foot. Boone Pickens is often quoted for saying, "We can't drill our way out of our problem," but not everybody knows, he added to that, "but you do not stop drilling. You drill what you got, and, in the meantime, you go after all of these other resources." He is a big advocate for using what we have got.

I have been concerned about what this Committee has done in the last couple of years. We have taken huge amounts of coal, some of the largest deposits of coal in the world, and put them off limits. We recently voted to put off limits the second-best source of nuclear material that we have. We have put off limits most of the Outer Continental Shelf drilling.

We have put off limits ANWR, and we had a report that if the U.S. was allowed to pursue the Alaskan resources that we put off limits, even though it would make a tiny footprint in areas where nothing grows and nothing lives, it would provide about two million-plus jobs around the country, and that, within a few years, it would have added 349,000 jobs in California as a result of pursuing Alaskan resources.

I do not really have a question. I think it has all been said but not said by everybody, but I appreciate your perspective, but we do need a comprehensive plan, and it just seems like, if we were pursuing the offshore drilling and doing it responsibly, I would be all for using the proceeds that the Federal government got from that to help fund the future research for the solar and the other things to let us get to the next generation because, otherwise, we are going to so hurt our economy, like my friend, Congressman Rohrabacher was saying, that we are so economically dependent, we do not have the chance.

Thank you all for your investment in this Committee hearing.

The CHAIRMAN. There being no question from the gentleman from Texas, the gentleman from Maryland is recognized, Mr. Kratovil.

Mr. KRATOVIL. Thank you. That is something that I am still trying to get used to, as a prosecutor, all of us, with our statements and then rather short questions, but let me say this.

Similar to Mr. Heinrich, I am not an absolutist from New Mexico. I would never say never to opening up additional areas for drilling, assuming we could do it in a way that was environmentally safe and assuming we weighed the risks of doing so versus the benefits that we get from it. But having said that, and Mr. Costa and I actually had a discussion of this outside after a vote, my question is this: In all of these discussions that we have, and I asked this of the last panel, we talk about opening up additional areas, and yet we still have, of the 40 million acres that are available right now, less than 10 of those are producing.

It seems to me that the question that we are consistently debating at these panels is the Question No. 2, whether we should be opening up additional areas when we really have not answered Question 1, which is, why are we not using the other acres that are available?

So, my question is, what is your perspective, both of your perspectives, on why that is not happening?

Two: Do we think that there is an effective way to utilize those areas that are already available, and, if there is, why are we not doing it, and, if not, what are the things that prohibit us from making use of those?

Third: Is that factor, the fact that we are not using those, part of your basis for the arguments that you have of opening up additional ones or, in your case, continuing the moratorium?

Mr. FARR. I think that what is new to the whole discussion on this is global warming. We have kind of debated whether it was real or not real.

Secretary Chu said something that really struck me, that, underneath the tundra is nothing but carbon, and on top and between the tundra is all of this bacteria that is frozen and that if, just like meat, if you take meat that you have had in your freezer and put it in your refrigerator and leave it there, after a few weeks, all of a sudden, you are going to see stuff growing on that meat. That is the bacteria that have been there that have been awakened by no longer being frozen and starting to do their job, and they could do this job on the carbon in the tundra in the North.

That would be a natural release of carbon far greater than all of the man-made carbon releases on the planet, and it would be forever, and, certainly, life on this planet would be severely threatened.

So, in essence, we are in a race to see whether we can stop global warming or hold it at a level before it really devastates, and we know that this carbon release is the problem.

Why are we trying to spend a lot of money on figuring that out while, at the same time, saying, "Well, let us go out and just be more dependent on carbon fuels"?

See, I think that is the big argument, is, how do we get ourselves off, not just, the United States, but how do we get the world off, of dependence on this? You know, are we going to find something that is going to replace oil? I do not think so, but, certainly, we can cut down our dependence on it. I think that is the leadership role that this country has to play.

Mr. ROHRABACHER. To answer your question directly, many of the people who have purchased the rights to drill in these areas have found themselves also thwarted by other maneuvers by activist groups, et cetera. You guys know more about that than I do.

I am on the Science Committee, but I am not on this Committee, and my guess is that there have been, as we have seen for the development of other energy resources throughout the country, there have been activist groups that, even though someone has a right to build a solar facility, for example, have a right to build solar facilities in the desert, you have activist groups right now that have prevented 190 solar projects from being built in the desert, and these guys make themselves known to the Bureau of Land Management, where they have their natural allies, and develop people inside the Bureau of Land Management, and, all of a sudden, you find roadblocks being placed in the way of people who have already purchased the fundamental right to do something.

In terms of global warming—I am glad Sam mentioned that—I believe that that really is the motive of a lot of people who are just opposing any new development of oil or coal or gas. It is basically that they bought into the argument that carbon dioxide is going to change the climate off the planet. I would suggest that I know that, 15 years ago, we were told that there would be a big jump in the temperature of the planet. Right now, it has not gotten any warmer for the last eight years. If their predictions on that were not accurate, I am certainly not going to let their judgments on global

warming prevent us from having the energy America needs to be prosperous.

Mr. KRATOVIL. But in response to that, would you agree, then, before we are talking about opening up these additional areas, that we would want to address whatever those obstacles are that you are discussing and the acres that are available?

Mr. ROHRABACHER. You know, there is reasonable opposition, and then there are people who just are obstructionists because they are out to save the world, and they are going to do anything, even if it is not reasonable, unless you agree with every one of their tenets of what is going to happen.

Mr. KRATOVIL. I know, but my point is, if you open up additional acres, you are still going to be having those same obstacles, are you not?

Mr. ROHRABACHER. You know what? I would suggest that we go to work on the problem of obstructionists, activists, obstructionists, as well as moving forward with trying to open up new areas for development.

We need the energy. We are wasting hundreds of billions of dollars a year going overseas, sometimes to our enemies. It is ridiculous not to have that. Our activists apparently do not care about that. The activists who are putting the roadblocks in the way apparently do not care about that.

Mr. KRATOVIL. But just a last comment on that. Again, I am saying that I am not someone that would automatically rule out opening up additional areas.

Mr. ROHRABACHER. Right.

Mr. KRATOVIL. But my point is, we are having that discussion, and, as far as I can tell, no one has really answered the first question, which is, "What are those obstacles? What are those problems?" and, one by one, addressing them in the 40 million acres that are already available before we start talking about—

Mr. ROHRABACHER. I would suggest that this would be a good subject for a hearing of this Committee of exactly why different energy projects, including offshore oil projects, have not gone forward, and I think that you will find, in most cases, that there have been very well-financed activists who have made it their job to obstruct and to put roadblocks up. As I say, they are even doing that with solar energy projects in the middle of the desert because they are worried about the habitat of insects and lizards.

The CHAIRMAN. The gentleman's time has expired.

Mr. ROHRABACHER. All right.

The CHAIRMAN. The Chair would advise the gentleman from California, Mr. Rohrabacher, if he wants an answer to that, to attend tomorrow's hearing. We will be glad to welcome you. We will allow him to sit.

Mr. ABERCROMBIE. Mr. Chairman, are we bringing the lizards in tomorrow?

[Laughter.]

The CHAIRMAN. The Chair recognizes the gentleman from Nebraska, Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman and colleagues. I appreciate your testimony here today. I believe that, Mr. Farr, I first met you at your property at a wedding along the coast, and I certainly

think that it is a beautiful area, and, quite actually, I would be interested in preserving the beauty of that territory as well.

I hope that we can arrive at an agreement, with this entire issue, that we can satisfy, at least a little bit, both sides.

Now, I have been interested to learn about New Zealand and its development of hydropower. I believe, if my numbers are accurate, that 80 percent of New Zealand's electricity comes from hydropower, including, I would say, diverse hydropower, which would include harnessing tidal pressures.

If there is a problem with the apparatus of a drilling platform for petroleum, whether it is above water or below water or in between, you name it, wouldn't we also have a problem, then, with the apparatus of harnessing the tidal pressures that would accomplish that as well? Can you speak to that?

Mr. FARR. My whole point of my testimony, and I think that the hearings you are having in this Committee, is that we do not have a comprehensive energy policy in this country. You are the Resources Committee. You are responsible not only for the wise use of resources but also for the protection and health of all of the resources, and I do not think, without that, we can be smart about how we want to then harness energy and the risks involved.

There is a macro argument, which I think Mr. Costa was bringing into, is the macro argument about developing that policy, and then there is the micro argument about each one of those developments, whether it is oil and gas, nuclear or wind or solar, whatever the controversy being, where and place, and I guess that is what leads me to the fact that we have to be smarter about where we want to do this and start developing an opportunity to do it smartly.

I am not trying to endorse or suggest that one is better than the other. I just think that we need some time. We need a moratorium on just going over offshore well drilling.

I am very protective of the oceans. They are sick. Everybody will come in here and tell you, the oceans are dying. If the oceans die, we die.

Mr. SMITH. Right. But wouldn't a moratorium impede our ability to have a comprehensive policy?

Mr. FARR. No. It is a moratorium. It is not permanent. It gives you an ability to breathe, an ability to look at all of these other options.

Mr. SMITH. But you are saying that would not remove OCS from the table.

Mr. FARR. Oh, no. Moratorium, it is temporary.

Mr. SMITH. But doesn't the permitting process that would accompany—

Mr. FARR. The ban is permanent. Excuse me?

Mr. SMITH. But doesn't the permitting process effectively engage a moratorium?

Mr. FARR. A moratorium stops the permitting process.

Mr. SMITH. Right. So, isn't the permitting process rather rigorous, as it stands right now, or is it not rigorous enough?

Mr. FARR. I do not know. I have been through those lease/sale arguments on our coastline and got very involved in it, and, frankly, every time, regardless of administration, we have been able to

convince the administration that it was high risk/low gain, and they took it off the lease/sale charts, and then we created a National Marine Sanctuary, and, in that, statutorily prohibited oil and gas development.

So, my backyard is protected, and I am here because I think that, as Congress, we need to commit ourselves to being responsible for the oceans.

Mr. SMITH. Well, I appreciate that. When we look at the comprehensive approach that we absolutely must engage, I hope that we can keep everything on the table. That is what I would like to do. Mr. Rohrabacher?

Mr. ROHRABACHER. Well, again, when we are talking about offshore drilling, which is, I guess, the subject that we are supposed to be focusing on today, it has nothing to do with the health of the ocean.

I am a scuba diver. I am a surfer. I am in the water a lot, and I would challenge Sam to a surfing contest right now, but I think it would be unfair. But the fact is that this has nothing to do with the health of the ocean. It has everything to do with the view. The people up on Nantucket did not want their view disturbed by windmills, for Pete's sakes.

The CHAIRMAN. Have you had your triplets on surfboards as well?

Mr. ROHRABACHER. Actually, I have had my kids out on boogie boards, at this point.

The CHAIRMAN. Reclaiming my time.

Mr. ROHRABACHER. They will be surfers soon.

And, again, the view is important, and I think maybe we can do some things and require some things that would protect the view for those rigs that will be within sight of the coast. In Long Beach, we have facades on top of offshore oil wells that are very beautiful, and people like them. Also, wells can be underwater. But it has nothing to do with the health of the ocean.

Mr. SMITH. Right. Now, Mr. Farr, did you say earlier that you would be agreeable to, like, a zoning type of approach?

Mr. FARR. No. I do not want to get that controversial, at this point because that is debatable, but it seems to me that without comprehensive policy, and, look, I have another bill coming before this Committee, and it does not get into the micro details; it sets up sort of the governance structure so that all of these things can come to bear, so that we have one-stop discussions.

Right now, we have just conflicts of the sea, where the Navy and Interior and Commerce and NOAA, they are different aspects of governance, and it is very complicated and, actually, not very smart.

Mr. COSTA. Would the gentleman yield for a moment?

Mr. SMITH. I do not know if I have any time, but, with the Chairman's permission, I would.

The CHAIRMAN. The gentleman's time has expired. The Chair will recognize the gentlelady from California, Mrs. Capps.

Mrs. CAPPS. Thank you, Mr. Chairman. I actually want to thank you for a series of hearings, this being the second one. Are you suggesting that I yield at the moment, because I will have a pretty packed five minutes?

The CHAIRMAN. It is your time.

**STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF CALIFORNIA**

Mrs. CAPPS. Thank you. I would like to use it, if I could. I hope there is more time later—a series of hearings on offshore drilling, and thanks to my neighbor colleague, Mr. Farr, acknowledging that I am the sole Member of this Committee, I believe, who represents a congressional district impacted by offshore and gas development.

These are very useful hearings, and maybe yours is as well, Mr. Rohrabacher, but I appreciate the fact that, though you represent Huntington Beach, you still enjoy coming up to Santa Barbara once in a while to surf. Let that be part of the record as well.

Today's testimony on the state perspective, I believe, is really going to help guide us in drafting our legislation, but I do want to pick up on a couple of themes that came up in our last hearing, and I also want to say thank you to our colleagues. Usually, a Member of Congress comes to testify, gives five minutes' worth, and gets up and leaves, and you are really spending an inordinate amount of time, and I think it is very valuable that we have this opportunity to share, particularly, I guess, as a Californian as well, in between the two districts that are represented here on the platform.

Mr. Broun mentioned, and it has come up since then, about the distance from shore and the view. I submit that the view is not the issue. Routine toxic discharges from rigs is the issue, or, at least, one of the basic ones, and these spills impact our ecosystems and our fisheries and all that we value about our oceans.

For example, just last week, Federal and state officials investigated an oil spill at Exxon-Mobil's platform, "Harmony," four miles from the shoreline in my district. This spill stretched for about a mile, but it was from lubricating oil for the platform and not oil pumped from the well, but, all the same, it is a reminder to all of us that this business of drilling is dirty, and it is often a very dangerous business. These spills happen regularly. Thankfully, our state's Office of Emergency Services was on hand to deal with this spill.

One other topic came up again today that was addressed, but it was at the last part of the hearing, the last time we met, and it has to do with natural seeps. The anecdotal evidence was submitted today. It was submitted before.

I happen to be the representative of the constituent whose organization, "Save Our Seeps," is promoting the notion that offshore drilling reduces the seeps because it is extracting the oil another way, and, actually, the whole thesis is based on a study done by a person from U.C.-Santa Barbara who, himself, submitted a letter, which I submitted to the testimony, disassociating himself from that movement because he states that the evidence is clearly not there, and, in fact, that it is impossible to distinguish the tar off your feet, which is the anecdotal evidence, as to where it comes from, that there is no way of determining that it is from a natural seep, whatever that is, or from a platform.

In fact, the anecdotal evidence seems to be that the seeps are still there, but the offshore drilling apparently has not made a dif-

ference in all of these years that that has been happening, and I would suggest that, before this becomes a reason for continuing drilling, we ought to have a lot more studies of that fact.

But I want to, rather, pivot to the future and the real basis for what these hearings are intended to do, and I want to associate myself with the remarks that are commending Secretary of the Interior Salazar for delaying the schedule for implementing the five-year plan but wanting to use this time to develop a comprehensive energy policy.

While we are meeting here, and that is the reason I was late, there is another hearing going on in another committee having to do with efficiency in energy use as it relates to climate change. These are huge topics, and it is very worthwhile that we look at offshore oil drilling as once piece of what now we need to see as a major energy policy, and the truth is that environmental consequences are just one reason to oppose offshore drilling, and, in fact, we really do need, for a variety of reasons, many of which have been emphasized here today, we need to shift away from using fossil fuels. That has been one of our major sources of energy, and they are not going to be sustainable for the future and that that is one of the major reasons we are involved in this discussion, and that is why I commend the Secretary.

But I also have to give a lot of credit to my neighbor, Sam Farr, for being a pioneer, really, in "Oceans 21" and acknowledging the fact that the two studies that have been conducted are only further evidence of the fact that we really desperately need a comprehensive oceans policy as well.

In a way, they need to sit side by side, the oceans policy and then our energy policy, and they are directly related, one to the other, because until we understand more of what the ocean means to our very survival and also to our way of life, then we will not really understand how the pieces of how we want to deal with energy relate to that overall picture.

Now, I want to ask you a particular question, Sam. We have been hearing a lot about oil drilling generating revenue for coastal communities. The fact is that these communities would likely see, is it not true, a fraction of the money that companies promise them, and, at the end of the day, we have to live with the projects for decades? The whole leasing apparatus that MMS conducts is based on studies that have been done that are a guesstimate, really, at best, of what is going to come to live with.

A lot of the numbers are speculative, and many of them are all over the map, and if these projects are not successful, and we are living with some of those consequences, too, communities do not get any money, and they do live with the rig and the platform for years and years to come. Maybe you would like to comment on that piece of it, but also—the red light is already on—I hope you have been able, Mr. Farr, to give an overview of why it is that we need an Oceans 21 policy.

Mr. FARR. Well, we need a comprehensive policy, and, in that policy, we need a trust fund that we need to have some money for, and that is the bill. One source could be this OCS fund, of which, I pointed out, 74 percent just goes into the general fund, and I think this Committee ought to be concerned about that.

Look, California is certainly not the leading, but it is up there in the major oil-producing states—we do not think of California so much as a big oil state, but it is. It also, because it is a coastal state, is a refining state, so oil comes from other places into California, and that is the shipping. We actually have reduced the amount of shipping because we got bigger ships, and a lot of our coastal-dependent energy development has switched to natural gas, which is shipped by pipeline and not by sea.

But of all the oil and gas produced in California and the revenue thereon, only 10 percent comes from offshore, and I think it is important that the state, because OCS is more of a Federal decision than a state decision, but California, as a state, has taken a position that they have a moratorium on oil and gas development in their state waters and have strongly supported moratoriums here at the Federal level.

I think that, again, being a state that is in the oil business, I think they are being away ahead of the Federal government in deciding to look before we leap, to look at the alternatives. California has developed hydropower, nuclear power, solar power, wind power, biomass power, geothermal power with our volcanic, in Northern California. We are probably more diversified in power production than any state in the union, and we are looking for even more, essentially, these ocean currents and things like that.

Here is the point of the whole thing: One, to get a comprehensive policy about how we manage the oceans, which goes far beyond just the energy issue, and, in the meantime, as this hearing has been asking, is, do we reinstate the moratorium? And I think the answer is yes.

Mrs. CAPPS. Thank you.

[The prepared statement of Mrs. Capps follows:]

Statement of The Honorable Lois Capps, a Representative in Congress from the State of California

Thank you, Mr. Chairman.

I'm pleased our second hearing on offshore oil and gas drilling before this Committee will focus on coastal state perspectives.

As one of six states producing oil and gas off their coasts, my home state of California has done its part to provide energy to the nation.

The 23 oil and gas platforms found off my congressional district, for example, have produced more than 2 billion barrels of oil over the years.

But oil development off our coast has long been a thorny proposition—beginning in 1908 with the Santa Barbara Chamber of Commerce's opposition to the construction of an oil pipeline on Stearns Wharf.

And as was discussed at our last hearing—the devastation from the 1969 Santa Barbara oil blowout was so great it galvanized Central Coast residents; indeed it galvanized virtually the whole state, against more offshore drilling.

Clearly, Californians were outraged by the damage to the environment and wildlife.

But we also realized that another blowout would wreak havoc on our economy as well, especially tourism, fishing, and the industries that rely on them.

So Californians became committed to ensuring it wouldn't happen again.

Mr. Chairman, a little history might be in order here:

Since 1969, 24 city and county governments, including both Santa Barbara and San Luis Obispo counties, have passed anti-oil measures.

These laws usually require voter approval before any new onshore facilities to support offshore drilling could be built or they ban them outright.

In 1994, the California Legislature passed, and then-Republican Governor Pete Wilson signed into law, a permanent ban on new offshore oil leasing in state waters.

Every year since 1999, the State Assembly has adopted a resolution requesting that the Federal Government enact a permanent ban on offshore drilling off the California coast.

I've introduced a bill every Congress to enact such a ban. And I have been joined by a majority of my California colleagues in supporting this legislation.

Our Governor has stood his ground on offshore drilling, too, stating recently "I am unwilling to put our environment at risk for the sake of new energy exploration on California's coast."

In 2006 Governor Schwarzenegger signed the "West Coast Governors' Agreement on Ocean Health" further representing his commitment to reduce offshore energy impacts.

These actions have been met with widespread public acclaim.

Most recently, 60% of the citizen comments from California opposed the Bush Administration's new proposed 5 year oil and gas leasing program.

The public knows ruining all of our coastal areas in an effort to drill our way to "energy independence" isn't going to work.

And that's why coastal communities continue to speak—in strong bipartisan voices—to protect their sensitive coastal resources and productive coastal economies.

Mr. Chairman, I am dedicated to working with you and my colleagues on this Committee to develop positive solutions to our energy needs.

It's time to commit to alternative energy sources instead of increasing our dependence on fossil fuels to help meet the energy needs of the nation.

Thank you again for your leadership in calling this hearing.

The CHAIRMAN. The gentlelady's time has expired. The gentlelady from Wyoming, Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman. I join Representative Capps in complimenting you for being here today and staying and involving yourselves in the discussion. I, further, want to compliment Representative Farr for his idea about creating a trust fund.

Wyoming has a Permanent Mineral Trust Fund. We created it in 1974, so we could take our nonrenewable resource, oil and gas and coal, and take the revenue off that, or a portion of the revenue off that, and convert it into a permanent resource, which is cash, interest income off state investments.

As state treasurer, I managed Wyoming's Permanent Mineral Trust Fund and the diversification of the permanent fund revenues into an income stream that, last year, was the largest source of income for the state's general fund and, in normal price of oil and gas and coal years, is the second-largest source of income for the state's general fund.

I would encourage you to look at the Wyoming model, the Alaska model, the Alberta model, and, particularly, the Norway model, as great examples of taking these nonrenewable resources—oil, gas, coal, and other hydrocarbons—and converting them to this renewable resource.

In fact, Norway Fund looked at the price of oil from the year 1900 to the year 2000, and if you had left it in the ground versus invested it over time, the returns on the investment of producing it and converting it into income that can be used, of course, over and over—it regenerates itself by the country of Norway—created an enormous plus for the people who live there.

The fact that you want to use this income off this fund, and I would encourage you to look at it as a permanent fund with a permanent corpus that is inviolate, the interest income of which could be used to conserve the oceans, or whatever renewable project you have in mind, is a great way to solve a number of problems—the

income problem, having a constant source of revenue to do it—and also to be part of the global sovereign wealth cast of characters. You know, the United States is the largest debtor nation in the world and does not itself have a sovereign wealth fund, so I am a big advocate of your idea.

I also have a question for Representative Rohrabacher. I chose to schedule my mid-life crisis and went to a surfing school off the coast of your beautiful state and learned, at that time, that when it rained during the night, the surfing school was suspended the next morning because of the runoff into the ocean. That became a hazard to those of us who were trying to learn how to surf, particularly me because I was swallowing a lot more of the ocean water.

Mr. ROHRABACHER. What city were you in?

Mrs. LUMMIS. I was in LaJolla.

Mr. ROHRABACHER. LaJolla?

Mrs. LUMMIS. Yes.

Mr. ROHRABACHER. All right.

Mrs. LUMMIS. “Surf Divas” is the—

Mr. ROHRABACHER. There is a fine break in LaJolla called “Tourmaline,” and I have surfed there many times.

Mrs. LUMMIS. Well, it was magnificent. As I said, I did swallow enough of the water to probably absorb the effects of global warming in the ocean, but it was wonderful.

Mr. ROHRABACHER. You are absolutely right. After it rains, there is a major urban runoff problem in California and throughout the United States. Whenever it rains, all of the bird droppings and dog droppings and all of the other stuff that accumulates in an arid temperature is washed right into the ocean, and we surfers know very well that we should not be in the ocean the next day after a rain, sometimes two days after a rain.

Mrs. LUMMIS. Yes.

Mr. ROHRABACHER. And I would agree with Sam that we need to tackle that. I think resources from offshore oil drilling dedicated so that local communities can actually confront that challenge would be a very good use for the resources. I would say, however, the admonition is, that should not be controlled at the national level at some trust.

If, in Wyoming, we decided that all of the oil revenue from around the United States would be in a national trust rather than a Wyoming trust, you would have been left out of the decision-making process of what to do with that money in Wyoming.

We should get this money down to the local area, and, as you are pointing out, there are some very important needs to focus on in the coastal areas.

Mr. COSTA. Will the gentlewoman yield for a moment?

Mrs. LUMMIS. Indeed.

Mr. COSTA. Just to underline the point, and I made it last week—

Mr. ROHRABACHER. Yes.

Mr. COSTA.—and it is what frustrates me, in part, about this conversation, the National Academy of Sciences, in a study done in 2002, the most recent, comprehensive examination, is the greatest source of pollution that impacts the oceans that Sam cares about, that Dana cares about, that we all care about, is nonpoint-source

pollution; it is a result of 85 percent of the pollution of the oceans around the world.

We had a billion and a half people living on this planet 200 years ago. Today, we have six billion people living on it, and lots of people live around the oceans of the world.

In California, Sam knows, we have tried, and water bonds that I have carried provided funding for point- and nonpoint-source pollution. You were the strongest advocate to make sure that there was a dedicated fund for the nonpoint-source pollutions.

We are focused here on what is, at best, five percent or 10 percent of the problem, while 85 percent of the degradation of the oceans is a result of nonpoint-source pollution and overfishing.

Mr. ROHRABACHER. I would suggest not even that. I would suggest that getting our oil from offshore oil rigs is a much cleaner and much safer, environmentally, way of getting oil than by tanker.

Lois Capps said, in 1969, there was a big oil spill off Santa Barbara. We all remember that. That was 1969. The fact is, all of the major oil spills since 1969 have been from tankers. The Exxon VALDEZ accident up in Alaska, which was a catastrophe; that ship was headed for my district. It was headed for Long Beach. Now, the fact is, it could have had an accident closer to my beaches, and that is wrong, and the fact is, we have had offshore drilling for 30 years with no significant problems.

Now, yes, there is some oil that gets spilled in the water when they are greasing their equipment. OK. Let us try to regulate that, control that. I bet you that company is fined for what they did, but I will tell you, the risk of a major oil spill that is brought on us by a tanker is a so much greater threat to our environment than having some oil dripping off the rig as you are trying to grease the machinery on the rig.

With that said, I agree with you, what you are saying, but I think that, even in that five percent-area, it is better to have offshore oil than to bring that oil in by tanker, which is what happens when we do not develop our offshore oil resources.

The CHAIRMAN. The gentlelady's time has expired.

Mrs. LUMMIS. I applaud the discussion, and I thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Hawaii is recognized, Mr. Abercrombie.

Mr. ABERCROMBIE. Thank you, Mr. Chairman.

I want to follow up, Mrs. Lummis, on your observations. As a new Member, I commend to you from last year what we call a "nonpartisan bill" here, H.R. 6709, "The National Conservation, Environment, and Energy Independence Act," that we put together, a group of Members—no lobbyists, no staff—just to prove, I suppose, that Members are not total dolts.

It goes to precisely what you are talking about here: Can we use the existing carbon-based resources that we have as a bridge to an alternative-energy future by subsuming the royalties and the payments and the fees associated with it to invest in renewable energy, et cetera?

Mr. Bishop worked with us on that, Mr. Costa, and our much-lamented retired friend from Pennsylvania, John Peterson, a real

genuine loss to this body, who was instrumental in putting us all together—in fact, alerting us all to this in a very, very positive and productive way—and we intend to carry through with that and invite, obviously, Mr. Farr and Mr. Rohrabacher to join with us to try and do the same thing this year.

We are going to revise it. I know that Senator Reid and others are now proposing to put together a National Energy Grid and to modernize that, and this will become part of the bill.

Mr. Rahall has been very, very sympathetic and empathetic to this process of trying to put together something. In fact, he just put out an editorial today which was sufficiently ambiguous to encourage me, so I am going to proceed further with that.

I would welcome your participation in that as well. The whole idea, I think, of the offset is very, very important.

Mr. Chairman, I have really no questions for the two witnesses, other than to put on the record that we intend to move forward with this. We are working on it right now, the staff, so anybody who is listening now, if you want to participate in this, get in touch with our staffs, Mr. Costa, myself, and Mr. Murphy in Pennsylvania, and others. We will be putting together a group.

We consciously submitted it with three or four Republican and Democratic sponsors from the beginning, and then I think we had a list of about 20 Republicans and 20 Democrats, and we just cut it off arbitrarily, not capriciously, I assure you, but cut it off, at that point, just to introduce it to show that we had no intention of letting this devolve into a partisan rhetorical contest, but, rather, could we deal with offshore and onshore leasing of resources—natural gas was the impetus to all of this—could we get at the natural gas resources?

We think it is more important now than ever to be able to do that, precisely because of the price of oil dropping. We want to get past this spiking and dipping of carbon-based resources to be able to do this.

One last thing, Mr. Chairman. I met with the counsel general of Norway in Hawaii just recently, somewhat dumbfounded that he would have a particular interest in us, but it is because Norway is in the advance of many other places in the world, in terms of its environmental consciousness, as embodied in law and legislation, and its understanding of how to apply the most modern technological means to ensure safety with regard to the exploration and extraction of carbon-based resources, and he saw Hawaii as a template, as a demonstration place, for alternative energy resources, so we are going to be working together on that.

I do believe this is not just a national question for us but an international question as well, particularly in light of global warming and what that might do to the oceans. Thank you, Mr. Chairman.

The CHAIRMAN. The Chair will respond to the gentleman from Hawaii. If he thinks my article was ambiguous, it is in order to entice him to read it a second, third, and fourth time.

Mr. ABERCROMBIE. My thoughts exactly.

The CHAIRMAN. The gentleman from Louisiana, Mr. Fleming, is recognized.

Mr. FLEMING. Thank you, Mr. Chairman, and also thank you to the gentlemen, our witnesses today, for their hard work.

First of all, before I get to my question, I want to respond to a comment from my colleague, Mrs. Capps, and that is from this paper, Derek Quigley, et al., which is an environmentalist researcher, and, just very briefly, part of the conclusion.

It says: "A spacial coincidence between offshore oil production at Platform Holly and the observed decrease in seepage around Holly are probably related and attributable to the impact of oil production on reservoir pressure." This goes back to comments made by Mr. Rohrabacher. "Oil production from the Monterey formation oil and gas reservoirs caused subsequent declines in reservoir pressure, thus removing the primary driving mechanism of the seepage. This finding implies that worldwide oil production may lead to declines in natural emissions of hydrocarbons on a global scale."

I think that is a very powerful conclusion, Mr. Chairman, but let me get to my question.

I want to get to the end-game question here on a lot of this. I have heard testimony—this is our second set of testimony—that addresses this issue about offshore drilling, and when we are able to show things like, well, there is much less oil spillage. We have gone far beyond that. We have the technology that is much better today.

Then somehow the argument turns to, well, it is all about the hydrocarbons, the CO₂ that is in the air.

Then when we talk about, well, alternative forms of energy, we get into windmill, but then we hear Ted Danson, who says he does not want it in his backyard.

We talk about solar, and we hear about, I guess, lizards and bugs. They do not like that.

Nobody seems to want nuclear these days. So, my question is, is the end game, from an environmental standpoint, and, trust me, I believe in being good stewards with our environment—I am not at all promoting anything other than that, but is the end game that we return to the Stone Age? Is the end game that we go to horse and buggy?

I sort of picture in my mind movie stars coming to the Emmy Awards or the Academy Awards in chariots instead of limousines.

So, my question for both of our witnesses today is, this seems to be a very sinuous, and sometimes circuitous, argument, that as soon as we begin to trap it down to one or two items, somehow it is a moving target, and we are going to something else.

The question is, really, what is the end game in all of this discussion?

Mr. FARR. I do not think we have an end game because we do not have a policy, and so what happens, if you just sort of same old, same old, you are going to end up, I think, causing—you may have an end of lots of things.

Look, Mr. Rohrabacher and others have talked about the fact that there are permitting problems with some things, but let us look at the record. California has probably more solar houses than anyplace in the world, more use of reclaimed water for reclamation for agriculture, and my own district has the largest reclaimed agriculture use of water in the United States.

It is these alternatives that have come along that are smart and are better, and I think that is what we are asking for in this. Let us give us time to be smarter about the end game, and not all of the alternatives are given an equal opportunity to compete.

Developing resources are also wanting to be dealt with fairly; that is, if there are subsidiary, or if there is tax policy, they want to be treated equally so that they can compete equally, and if you can compete equally, then the market can determine price, but if your competitor has all kinds of advantages that you do not have, then you cannot compete fairly, and the common business practice is a level playing field.

I think what the discussion here is, what is it going to take for the United States of America to develop a level playing field for all kinds of fascinating ideas that can produce energy? And I do not think there is ever going to be one. I think it is going to be all of these.

I think we are going to continue to drill for oil and gas in the United States, but we have to have an awful lot of other opportunities because of just the discussion about distribution networks. We spent a lot of money on the stimulus to make sure they work. You can produce the energy out in the middle of South Dakota, but how do you get it from the wind farms there to places that use it?

The moratorium is a time-out, and that is what this discussion is about.

Mr. ROHRABACHER. Sam and I, you know, look, we both want a clean environment, and we both are concerned about the health of our people, and water reclamation in California is something I have been a long supporter of.

In Orange County, we have a major, cutting-edge, water-reclamation project that I have been very honored to support over the years, but let me just note that the standard of living that we have in California and elsewhere, we are coasting on things that were done years ago.

There have been no hydroelectric dams built in California, or anywhere else in the United States, for 30 years. Yes, we do have people in California that are tearing down hydroelectric dams, even though they are smaller, but they are also opposing building new hydroelectric dams, which would take care of our people's needs.

We have not had any new nuclear powerplants built in this country for 30 years. We have not had any new refineries built for 30 years. Yes, we have had a national policy, all right. The national policy has been not to develop our energy resources, and we have had activists with very high-sounding, you know, goals and rhetoric, but the fact is, that rhetoric has led us to a situation where billions, hundreds of billions of dollars, have been sent overseas now to buy energy that we could have produced at home.

I agree with Sam that we should be developing these new energy resources. I think we have come to the point now, as I say, where solar will be competitive. That is why I think that the national policy should be an open-meter system. If we are going to spend money, let us subsidize an open-meter system so that anybody putting energy into that grid will get credit for it, and it is going to require us to subsidize it to do that because, right now, people are paying money to get into the grid and take the energy out. We

need this to be give and take with a national grid system, and, by doing that, we will open up the possibilities for solar and for wind.

By the way, there is a fellow in my district who has developed a paint to paint on houses [off microphone] and, in fact, we turned that off, and 20 and 30 years ago, offshore oil development and all of these other sources, we are paying a bad price for that now. Our economy is suffering, our people are suffering, and I think it has a lot to do with our negative energy policy for the last 30 years.

The CHAIRMAN. The gentleman's time has expired. The gentleman from Washington, Mr. Inslee.

Mr. INSLEE. Thank you. I just want to make a couple of points.

First off, I want to applaud the great State of California. There are actually some great things they have done. I know Congressman Rohrabacher is proud of his state, but I want to express some admiration of what California has done in energy.

While the rest of the country has increased its per capita usage of electricity by 40 percent over the last 20 years, California has kept it flat, on a per-capita basis, and that is because, instead of spending more money on some of the very expensive generating capacity, it has decided to spend less money on efficiency, and it has been very, very effective. So, we want to laud California for its leadership in that regard.

The second point I want to make: When it comes to offshore drilling, there is a lot of discussion about spilling and the possibilities of spillage, and I want to make the point that there is a 100-percent certainty of oil spillage on every single offshore oil drilling that has ever been drilled, or will ever be drilled, and the reason that every single, and I hope I am scientifically accurate on this, but I believe it is true, every single carbon atom that comes out of those wells ends back in the ocean or on land.

When we burn the oil coming out of these offshore wells, it goes into the atmosphere's carbon dioxide. It lingers in the atmosphere for sometimes in a hundred years, but it eventually comes back down to the ground and goes into solution into the ocean, which is now acidifying the ocean.

I just want to make that point because when we adopt our national policy, we ought to adopt it with the knowledge that 100 percent of the pollution, or potential pollution, that comes out of wells ends up back in the ocean, or, at least, 70 percent of it because 70 percent of the world's surface is oceans. Right now, the oceans are becoming acidified. They are now 30 percent more acidic than they were in pre-industrial times, and they are becoming more acidic three to five times faster than the scientists thought just a few years ago. Research off Tatoosh Island, where I live in Washington, shows horrendous acidification going on.

I just want to make that point that when we decide what to do in offshore drilling, we should not blind ourselves to the fact that every single offshore oil drill ends up with a spill into the ocean via the atmosphere, and I just want to make those comments, and either one of my colleagues would be happy to hear your comments about that.

Mr. FARR. Mr. Chairman, is Mr. Inslee your last questioning?

The CHAIRMAN. On the majority. There are three left on the minority side, unless the panel would like to stay for a second round of questions.

Mr. FARR. I think the second panel is going to be better than the first.

The big picture here: When I was on this Committee, what I was awed about is that you have the responsibility for natural resources in the United States of America, and the awesome responsibility of that is that you have created, by recognizing that certain areas require certain kinds of management, and out of that create a National Park System. You deal with the National Forest Service, even though it is in the Agriculture Committee, but a lot of the policies come out of this Committee.

You determine that certain resources in America need to be labeled as rivers that are wild and rivers that are scenic. You have created this ability to look at land onshore and think about how to manage it. The largest resource in your jurisdiction is the ocean, and nobody has ever done that. Nobody has ever looked at the ocean and said, "Hey, why do not we create these kinds of management policies?"

Your hearing today is about whether you ought to continue drilling in the ocean. The ocean is sick. Every witness up here will tell you that. For those of us that are coastal-dependent economies, that means that the food we take out of the ocean is at risk and that other local economies are at risk, and all we are asking is just put a moratorium on more oil and gas drilling until we get this right, until the Committee has been able to use its jurisdiction as a responsible resource management to look at the big picture of the oceans.

So, in answer to your question, we get off target in arguing nuclear, oil, this, that, wind, and all of these other things. It is really about the jurisdiction and responsibility of that jurisdiction and leadership, and I applaud you on having these hearings, and I applaud you, hopefully, for having the hearing on my bill and passing it, which many of you are co-sponsors, because that kind of leads us in the direction of being able to answer, what is America and the United States of America going to do about addressing the biggest resource of all, its ocean resource?

Mr. ROHRBACHER. I would hope that people also see that my friend, Sam, has pitched his bill. I hope you could all co-sponsor my bill, which directs the Bureau of Land Management to facilitate not only the granting of permits to actually start installing solar projects out in the desert. There have been 190 of these solar projects that have been held up by bureaucratic roadblocks that you could all sign under my bill to help create those solar projects.

The argument that we have just heard from our colleague, not from Sam, but our friend here, but let me just note that that argument that any oil is going to get back into the ocean; that is not just offshore oil; that is all oil. So, you would have to oppose any development of any new oil resources anywhere in the United States, which is under our jurisdiction.

I would have to suggest that there is along argument as to whether what the effect of CO₂ is all about and whether or not it causes global climate change, et cetera, that could go on for hours

on that hearing. There are many notable scientists who disagree with that proposition that you just outlined.

If you will just indulge me on one thing, before I became a congressman, I was a journalist, and I guess one of the greatest slogans I was able to use when I first ran for office was, "Vote for Dana. At least, he is not a lawyer." But, as a journalist, I got to meet all kinds of people, and I covered all kinds of events in Los Angeles. I was a reporter down there, and I remember I was called out to interview Jacques Cousteau, who happened to have been one of my heroes. Jacques Cousteau was a hero of mine, and because I am a scuba diver, I am a man of the ocean.

I went there to hear him at UCLA, and he was talking to some students, and he was going on about how the oceans are dying: "Within 10 years, all of the oceans will be dead." Now, this is 1973. OK? "The oceans will be dead." I kind of felt, even then, that maybe we could try to find something positive we could focus on rather than to focus on the negative.

When I went up to him after his meeting with the students. I told him I was a reporter, and I would like to ask a few questions. I said, "Isn't it possible that we are going to be able, in the future, to harness the oceans for farming and other things like that that would be beneficial to mankind?" and he got right into my face—I will never forget it because there was a bunch of students watching—and he goes, right in my face, he goes, "Didn't you hear me? The oceans, 10 years from now, will be dead, black goo." I will never forget that, "black goo."

Now, that was 10 years ago, and I was contemplating that about two weeks ago when I was on my surfboard, and I sat out there and watched the porpoises come by and fish jumping out of the water and the pelicans jumping into water right next to me.

Now, I will tell you something: The oceans are not black goo, and Jacques Cousteau is not around with us anymore, but there are a lot of people, even with the stature of Jacques Cousteau, who overstate challenges. Maybe they do it in order to try to motivate us to act in a certain way that is positive, but they create a false impression that could lead us to bad policies that would affect us badly in the long run.

Mr. FARR. And we had a moratorium that entire time.

The CHAIRMAN. The gentleman's time has expired.

The colleagues have been so kind with their time today that the Chair did indulge them for a couple of advertisements, which we heard during that last conversation.

The gentleman from Utah is recognized, Mr. Chaffetz.

Mr. CHAFFETZ. Thank you. I appreciate it. The renewable energy that I need, at this point, starts with chicken strips down in the cafeteria, so I will be very brief. Renewable energy; who is going to fight against that? Of course, naturally, I would love to do it.

I wish we did not have to go through the process of extracting the resources that we do, but, Mr. Farr, from your advantage point, and your expertise, renewables, the so-called "wind farms" and all these types of things that, in their very best-case scenario, very best-case scenario, over the next five years, maybe even 10 years, what percentage of our energy do we really think we can extract

from them, and what percentage do we see now, and where do we think we can actually get to?

I want to be as optimistic as I can, but I do not see anything that can overtake the propulsion of our automobiles and our homes and everything else, especially if we are not willing to advance nuclear and some of these other things that I consider to be clean. Everything has its drawbacks, but we have, you are right, no national energy policy. I would like to see us get to one, but where in the world do you think we can be, based on what we know today?

Mr. FARR. The California Secretary of Natural Resources is on the next panel. The State of California is supposed to have 33 percent by 2020.

Mr. CHAFFETZ. OK. So, then if we look at the trajectory, and you can go back over the last 30 years and where we are going in the future, our demand is going to increase, undoubtedly. Do we concur with that idea that demand is not going to diminish over the course of time. Right? We are going to have more people, more demand.

Mr. FARR. Yes, but the demand is also proportional to what kinds of effectiveness and technology you have in using the fuel, and whether you get 10 miles a gallon or 33 miles a gallon has a lot to do with that.

Mr. CHAFFETZ. I guess what I am trying to get at is, what do we have that works today? What actually works today, and what percentage? It is difficult. I am not trying to pin you down to specifics on each individual one, but that is a burning question for me because I think the American people, myself included, my kids, my family, we all have a desire to be conservationists. I am a conservative. I like to conserve things, but I do not see viable alternatives that I can go and plug in and that are actually on the market that I could actually do.

You know, I saw one of my colleagues driving a million-dollar hydrogen vehicle. It is probably not very practical.

Mr. FARR. Not yet.

Mr. CHAFFETZ. By the way, I want to leave some time for Dana here.

Mr. FARR. Every single source of alternative energy is utilized in California that has been developed. As I said, we have hydro, geothermal—

Mr. CHAFFETZ. What percentage is it today, the goal being 30-something percent? Twenty percent of all of the energy used is renewable.

Mr. FARR. In California, the biggest energy-using state in the United States.

Mr. CHAFFETZ. Mr. Rohrabacher?

Mr. ROHRABACHER. Well, I would suggest that when people focus basically just on conservation, I think that that is helpful, the conservation is helpful, but we also have to focus to have a balanced approach on production of more energy. Had we had the same obstructionists at play when we were building our hydroelectric dam system or our current nuclear power systems, California would be in a total catastrophe now for energy.

One of the reasons why we have had conservation of energy in California, by the way, is the price has been permitted to go up, and thus people naturally conserve. But I am totally supportive of

the efforts of the Governor and other people in California to push these renewables.

For example, I am proposing that we have an aqueduct system from Northern California, Sam's area, to take his water and bring it south to my area, which, of course, I support totally, but I would see no reason why that aqueduct system, if running the length of the state, why do not we cover that aqueduct system with solar collectors so it shields the water from evaporation and can produce the electricity at the same time? Those are the kinds of creative ideas that will happen if you have an open-meter approach.

So, in other words, we subsidize a lot of things today. Let us subsidize basically the open-meter system. That will not work unless we do subsidize it, but because, right now, people have to pay to take the electricity out, but if we end up paying them to put it in, how are the electric companies going to function?

We can subsidize that and open up the avenue for all of these new, across-the-board advances in energy technology, and I am very optimistic. I am for electrification of our country. In California, Elan Musk has invested in Tesla Motors. The Governor has been very supportive of that, and I just think that we have a great new tomorrow. Not only are the oceans not going to be black goo, but our cities are not going to be desolate and overwhelmed with pollution. We are going to solve these problems by moving forward with more production and cleaner production.

Mr. CHAFFETZ. Thank you, and thank you, Mr. Chair.

The CHAIRMAN. The gentleman's time has expired. The gentleman from South Carolina, Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman, and thank you, gentlemen, for being a part of this discussion. This is a very major concern of mine. I live on the coast of South Carolina, and we are certainly concerned about our beautiful beaches, which are our number-one tourist attraction, I guess, almost in the country; probably number two or number three in the whole country. So, we are very sensitive to any impact that offshore drilling might have.

We are also concerned about, not only just in America but, as a worldwide perspective, Mr. Chairman, and I would hope that, as we look at generating a new energy policy, that it will be done in a worldwide perspective, not just in the American perspective because we are just not isolated on this planet. We are a part of it, and sometimes we talk about it as though America is just a stand-alone unit. We are actually extracting some 70 percent of our energy from offshore, and it comes from some places that we feel are not environmentally sound like America.

So, as we talked about, Mr. Farr, about the moratorium, and I noticed you said that you would be in favor of continuing the moratorium, and I would hope, Mr. Chairman, that everything we had in the energy bill would be on the table, and the all-of-the-above solution that my good friend from Hawaii talked about, we tried to come up with something, I guess, in the last Congress to try to meet out energy needs in an environmentally sensitive way, but I think the all-of-the-above solution has got to be a part of it.

Is Yucca Mountain going to be expanded? Are we going to open Yucca Mountain? Is nuclear power going to be a part of the 21st Century solution? All of these things have to be included.

I know I have traveled to some of the countries. We are talking about drilling up in ANWR, and maybe the carbon is being emitted there, but isn't it true, Mr. Farr, that some 97 percent of our carbons actually come from nature, not from some man-made source? It is 97 percent.

Mr. FARR. Of what?

Mr. BROWN. Of the carbons.

Mr. FARR. That we release on the planet?

Mr. BROWN. Yes, sir.

Mr. FARR. I do not know the answer to that question.

Mr. ROHRABACHER. I can let you know. As a Member of the Science Committee, I have been through many hearings on this. I have never heard a witness claim that, of the CO₂ production and other supposed greenhouse gases, no one has ever estimated that more than 10 percent of it—most people guesstimate more like five percent of that—is actually produced by human beings. The rest is produced by nature. These great fires that we just had down in Australia; I mean, that is putting stuff into the air, a huge amount.

Let me just add that sometimes, in our state, the fire people in our state have told me they have been denied the right to have controlled burns during the time when it is wet so the fires would not get out of control. Environmentalists/activists have prevented them from having controlled burns in the name of stopping air pollution, and then what happens? We end up in the dry times with massive fires that put ten times as much pollution into the air.

Now, these are well-intended people, but they have horrible consequence, even for the environment, in the long run.

Mr. BROWN. Let me ask you another question on that same note. They are trying to suppress any development in the United States of all of our energy, the oil shales, offshore drilling, or whatever else that is available, but yet we import 70 percent of our energy from countries that are mining it however way they can. Are we helping the planet by saying that we do not want to do it, but it is OK; you can treat the environment any way you want to, and we are going to still buy your products. Mr. Farr, what do you think?

Mr. FARR. Well, two things. First of all, I think it is very smart. We are complaining about the fact that we have to import Middle Eastern oil to run our automobiles in the United States because we get so little efficiency out of our automobiles, and I think that there are arguments that this Committee has heard that if you just improve the automobile efficiency, you will not have to be so dependent on foreign oil.

It seems to me that if we do not invest in this brain trust of people creating alternative energies, that we are going to allow that brain trust to be somewhere else. People are using the examples of Norway. The wind energy came from the Scandinavian countries. In California, because we were the first state to develop wind farming in the past, in Norway and the Scandinavian countries, there has just been a solar, modern windmill to replace the old ones. We did it in a farming style of orchards, wind orchards.

We required that the company, in order to get this huge market in California, move their development and build these wind turbine machines in our state.

I think that if we are not smart about these alternative energies, we are going to lose that brain trust and manufacturing capacity to another country. So, part of the world leadership, we need to be ahead of them because we need to sell them our technology, and I think that that technology will be readily marketable because it will be an alternative to the carbon amounts that we are putting into the air.

The only question here, and I keep getting back to it, is the question before this Committee is, should we continue to have the moratorium on offshore oil drilling as we have had for the last 10, 20 years? And I think, from all of the evidence that has been brought today, is, yes, we should.

Mr. BROWN. You know for a fact that when we had an oil embargo back in, I guess, the seventies, some 35 percent of our energy was coming from offshore. Because we had the moratoriums, now it is 70 percent. Can you imagine the number of jobs we could create? I know, when the price of oil was \$150 a barrel, it was, like, \$700 billion a year we were spending as a balance of trade just for energy. It is probably less than that now since the price has decreased, but it is still a tremendous amount of funds.

Look at all of the jobs that we could create here in this country that we are now exporting to these foreign countries.

Mr. ROHRABACHER. And the point you made earlier was very important, and that is, yes, so we have not gotten our oil from our own offshore oil development, and what do we do? We are importing it now from overseas, and the point you made was many of those countries that provide us oil overseas do not have the same environmental controls and safety controls that we have here.

Thus, those people who are supporting the moratorium have actually set up a situation where more pollution is coming into the air globally than would be done if we would have taken those same oil resources domestically from offshore.

Mr. BROWN. And I appreciate that remark, that comment, there, too, because we are on a planet. Not just America is focused on the atmosphere, but whatever happens in China, whatever happens in India, is going to impact our quality of life here in America. Thank you.

Mr. FARR. Yes, but that ocean right off your coast, which is a huge economic asset to your state; the health of that ocean is really dependent on the health of the economy of your state.

If that ocean were acidic, and everything was dying in it, and the beaches were polluted, the real estate values would drop, people would not use the coastal zone for development, and it would be a disaster, and we know that the oceans are headed that way unless we take better care of them. So, why would we want to continue to drill for oil and gas? Why do not we just buy some time?

Mr. ROHRABACHER. We certainly do not want our oceans to become black goo.

Mr. BROWN. Well, just to answer that, Mr. Farr—Mr. Chairman, I know my time has expired, but, in Dubai, you go there today, and some of those other countries over there, the immigrants there, they have filled in the ocean. That impact is not going to impact my ocean off Myrtle Beach?

Mr. FARR. It is going to have some impact on the global oceans' health, yes, but because of currents and everything like that, I doubt that it is going to affect Myrtle Beach.

The CHAIRMAN. Gentlemen, just one quick observation by the Chairman. I have been in this body over three decades and have seen a lot of our colleagues testify before committees. It is usually a perfunctory five minutes each, and very few, if any, questions from members of the Committee.

This morning has been drastically different. Just two of our colleagues, Sam Farr and Dana Rohrabacher, have been here for two and a half hours now answering questions from our colleagues, large numbers of Members attending on both sides of the aisle, for which I am deeply appreciative. But also I am deeply appreciative of your time.

It shows the amount of interest in this issue, it shows the importance of this issue to our nation's energy and national security, and this particular Chairman is deeply appreciative of your time and spending two and a half hours before us, and that, I might add, without a single question from the Chairman. Thank you, gentlemen.

[Pause.]

The CHAIRMAN. The Chair will call our second panel composed of the following individuals: The Hon. Mike Chrisman, Secretary, California Natural Resources Agency; Mr. Ted Diers, Chairman, Coastal States Organization; Robert G. Marvinney, Ph.D., State Geologist and Director, Maine Geological Survey; the Hon. Frank W. Wagner, State Senator, Senate of Virginia; and the Hon. Garret Graves, Director, Louisiana Governor's Office of Coastal Activities.

Gentlemen, we welcome you to the Committee on Natural Resources. We appreciate your being with us all morning, as you have, and traveling long distances to be with us, in some cases.

We do have all of your prepared testimony. As with all witnesses, it will be made a part of the record, as if actually read, and you each are recognized for five minutes to proceed as you desire, and we will start in the order in which I introduced the panel.

**STATEMENT OF HON. MIKE CHRISMAN, SECRETARY,
CALIFORNIA NATURAL RESOURCES AGENCY**

Mr. CHRISMAN. Thank you, Mr. Chairman. It is nice to be here. Thank you for the opportunity to testify today. I join you in saying that the last two and a half hours was quite illuminating. It was interesting to listen to the questions the Members have asked and how you have teed up the issues. I think it was very informative for all of us.

It is, indeed, a pleasure for me to appear today. As I think all of you know, and you have heard numerous times today, we have, in California, a long history of offshore oil and gas development that dates back to 1896, and you also heard Congressman Rohrabacher refer, a number of times, to the year of 1969, the devastating oil spill off of Santa Barbara, in the Santa Barbara Channel.

I need to put a context to that because that particular oil spill released more than three million gallons into the Pacific Ocean and

killed thousands of birds and other marine mammals along 35 miles of our coastline in California.

While the risk of such an event today is reduced because of the new technologies and improved response procedures that we have all developed, we continue to believe that the adverse environmental and economic impacts of new oil and gas leasing and development off our shore far outweigh the benefits generated from these activities.

The majority of Californians, nearly 38 million of them now, reside and live within our coastal zone in California.

The National Ocean Economic Program has determined that California's ocean-dependent industries contribute more than \$46 billion annually to the state's economy each year. As you can see, our economy thrives on tourism, particularly in our coastal areas.

We have consistently opposed new leasing off of California's shores for oil and gas exploration. Governor Schwarzenegger continues that opposition. He has held this position before taking office and has not wavered since that. His position was reaffirmed in our 2004 Ocean Action Plan that we also released. His position has been repeated in correspondence to Congress, to this Committee, to both the former and current president, and to the U.S. Department of the Interior.

Last year, Governor Schwarzenegger opposed the lifting of a congressional moratorium on leasing the Outer Continental Shelf, a position consistent with over 25 years of state policy embraced by Governors of both parties.

We have the California Coastal Sanctuary Act that has precluded leasing in state tidelands, that being lands from zero to three miles out, for oil and gas development since 1994.

The California State Legislature has repeatedly passed measures opposing new offshore oil and gas development in the waters offshore our protected state waters.

Governor Schwarzenegger has also joined with Governor Ted Kulongoski from Oregon and Governor Chris Gregoire from the State of Washington to oppose any new offshore oil and gas leasing, exploration, and development off our Pacific Coast, up and down the Pacific Coast of California and the West Coast.

So, again, there should be no ambiguity on where we are, where the States of Oregon and Washington are, on the Pacific Coast.

However, as we look to a new long-term energy picture, and there was a lot of discussion here today about that, we do see OCS alternatives worth pursuing. California is coordinating with the Minerals Management Service and the Federal Energy Regulatory Commission to evaluate options for sustainable offshore energy production, such as wave and ocean current technology. The energy-production potential and environmental impacts of these technologies are being evaluated now.

We, in California, have been recognized as a leader in energy efficiency and development of renewable energy. You heard it responded to and answered many times in the conversation today. Our per capita use of electricity has been flat over the last 30 years while the rest of the country has increased 50 percent.

Despite these successes, of course, we continue to set these very aggressive goals. You heard a question coming to Congressman

Farr. Again, pursuant to the Governor's executive order, we have increased our state's renewable energy standard to 33 percent renewable power by the year 2020 in California. This effort is the most aggressive in the United States.

To assure that this goal is attainable, the directive also calls for a streamlined review and approval process for renewable energy sites, making it easier for wind, solar, and geothermal projects to be developed in California.

We encourage the Obama administration and Congress to support a national energy policy that increases the efficiency of our energy use. We applaud Secretary Salazar in his pronouncement, on February 10th, to create a new and open process to develop a comprehensive national energy strategy. We applaud the Secretary's commitment, and California will commit to work with all of you to increase energy efficiency across the country.

Let me conclude by saying that California stands ready to work with this body, this Committee, this Congress, and the Obama administration to help craft a comprehensive, science-based, national energy strategy for a Five-year Oil and Gas Leasing program here in the United States. Thank you again for the opportunity to be here.

[The prepared statement of Mr. Chrisman follows:]

Statement of The Honorable Mike Chrisman, Secretary for Natural Resources, California Natural Resources Agency, State of California

Chairman Rahall and members of the Committee, thank you for the opportunity to appear today to discuss our experience with energy development off the California coast. California has a long history of offshore oil and gas development, which dates back to some of the earliest offshore production anywhere in the United States, starting off the Ventura County coast in 1896. California is also home of the 1969 Santa Barbara oil spill, which originated in the federal Outer Continental Shelf. It was an accident 40 years ago that had major ramifications for environmental protection in both California and for our nation. While the risk of such an event can be reduced today because of new technologies, for California, the adverse environmental and economic impacts of new oil and gas leasing and development off our coast (from oil spills, air quality, water quality, and visual impacts) far outweigh the benefits generated from these activities.

A state of approximately 38 million people, the majority of Californians live within the coastal zone. California's economy thrives on tourism, even with the current downturn in the national economy. People are drawn to our Southern California beaches, our rugged north coast, and many spectacular coastal destinations in-between. We have many federal, state, and local parks, three National Estuarine Research Reserves, three sites within the National Estuary Program and four National Marine Sanctuaries along and offshore our coast. The National Ocean Economic Program has determined that California's ocean dependent industries contribute over \$46 billion dollars to the state's economy annually. People journey to California to enjoy the outdoors, to swim, to surf, to scuba dive, and to fish among other ocean sports. Others come to patronize seaside resorts and restaurants. The impact of another 1969 caliber oil spill anywhere along California's coast would have a devastating impact on our population, recreation, our natural resources, and our coastal dependent economy.

California Position on Offshore Oil and Gas Drilling

Governor Schwarzenegger has long opposed new leasing off the California coast for oil and gas exploration, development, and production. He held this position before taking office and has not wavered from it. This consistent position was included in the Governor's 2004 ocean action plan titled, "Protecting Our Ocean, California's Action Strategy." Since that time his position has been repeated in correspondence to Congress, to this Committee, to the President, and to the U.S. Department of the Interior. Last year, Governor Schwarzenegger also opposed the lifting of the congressional moratorium on leasing on the Outer Continental Shelf. This position is consistent with over 25 years of state policy embraced by governors of both parties.

The California Coastal Sanctuary Act has precluded the leasing of our state tidelands (0-3 miles offshore) for oil and gas development since 1994. The California State Legislature has repeatedly passed measures opposing new offshore oil and gas development in the waters offshore our protected state waters. In addition, the California Ocean Protection Council, the State Lands Commission, and the California Coastal Commission all oppose new offshore oil and gas leasing off the coast. Governor Schwarzenegger joined Governors Kulonski (Oregon) and Gregoire (Washington) opposing any new offshore oil and gas leasing, exploration, and development off the coasts of California, Oregon, and Washington. There should be no ambiguity about where California stands on the issue of new offshore oil and gas leasing off California—we oppose it.

Looking at the long term energy picture, we do see OCS alternatives worth pursuing. California is coordinating with the Minerals Management Service and the Federal Energy Regulatory Commission to evaluate options for sustainable offshore energy production, such as wave and ocean current technology. The energy production potential and environmental impacts, of these technologies are being evaluated now. We have been working closely with the federal government to explore these possibilities, and look forward to continue working on these prospects with the Obama Administration. Additionally, California is a leader in setting energy efficiency standards that we believe are a model for the nation. Our recent experience with fluctuating gasoline prices has demonstrated that we all need to find ways to increase energy efficiency, and California has been a leader on that front for years.

We applaud the February 10, 2009 announcement by Interior Secretary Salazar to create a new, open-, process to develop a comprehensive energy strategy for this nation. The Secretary's four point plan provides a reasonable approach for states to provide input into the development of this energy policy. We applaud the Secretary's commitment to provide a fair and science based process and look forward to working with the Administration as this comprehensive plan is developed.

Offshore Oil and Gas Development off California

I want to dispel the myth that California only consumes oil and gas and does not produce it. This is simply not true. California has a long history of production of both onshore and offshore oil and gas. Currently, 27 oil and gas platforms are in production off the California coast. Of those, four are in state waters (within 3 miles of shore) and 23 lie within the federal waters on the Outer Continental Shelf (beyond 3 miles from shore). California also has substantial onshore oil and gas facilities currently in operation. Figures for 2007 indicate that California produced over 200 million barrels of oil at onshore facilities. Offshore production was 14.8 million barrels in state offshore waters and 24 million in federal waters. Onshore production of natural gas provided 269.9 billion cubic feet in 2007. Production in state waters was 7.2 billion cubic feet and 35.2 billion cubic feet was produced in federal waters that same year.

Alternative/Renewable Energy

California is recognized as a leader in energy efficiency and the development of renewable energy. We support congressional action to aggressively support national policies that increase the efficiency of our energy use. Our policies have proven to be extremely successful, from an economic and environmental standpoint. California uses less electricity per person than any other state in the nation. Indeed, over the last 25 years, California's per capita electricity use has remained nearly flat, while nationwide demand has increased 50 percent. This has occurred despite the fact that homes are bigger and our population tends to have more appliances, televisions, and other electronic equipment. Whether we are talking about electricity, natural gas, or transportation fuels, gains in energy efficiency can temper energy demand, hold down consumer prices, and reduce the environmental impact associated with traditional energy sources.

Although California has been leading on renewable and efficient energy production for years, we continue to set aggressive, yet achievable goals. On November 17, 2008 Governor Schwarzenegger signed an Executive Order (S-14-08), which re-establishes California's already ambitious Renewable Portfolio Standard (RPS) at a new nation-leading level and calls for a restructuring of the process of developing renewable energy sites to make it easier to achieve our renewable goals. Under the current standard, California utilities must obtain 20 percent of their electricity load from renewable energy sources by 2010; the Governor's Executive Order increases that goal to 33 percent by 2020. To ensure that goal is attainable, the directive also calls for a streamlined review and approval process for renewable energy sites—directing state agencies to sign a Memorandum of Understanding (MOU) with each other and with federal agencies (US Fish and Wildlife Service and Bureau of Land

Management) to create a streamlined process making it easier for wind, solar and geothermal sites to be built in California.

These policies have proven to be extremely successful in California, from both an economic and environmental standpoint. We would encourage the Obama Administration and Congress to support a national energy policy that would increase the efficiency of our energy use throughout the nation. We would be happy to work with the Congress to help craft a new energy strategy that builds on California's experience with energy efficiency.

Regulation of Offshore Oil and Gas Activities

California has regulatory jurisdiction over all aspects of oil and gas development from the onshore components of processing facilities and pipelines, to all aspects of offshore production which would include exploratory rigs, production platforms, pipelines, marine terminals, or other facilities associated with the offshore oil and gas development.

On land, our state and local governments have primary permit jurisdiction over the siting and construction of facilities. In state waters our California Coastal Commission and State Lands Commission have authority over the issuance of permits or authorizations to drill within state tidelands. On the Outer Continental Shelf (beyond state waters) several federal agencies such as the Minerals Management Service, the U.S. Environmental Protection Agency, and the U.S. Army Corps of Engineers have direct regulatory jurisdiction. However, California like other coastal states has a unique jurisdiction over activities on the Outer Continental Shelf that can "affect" resources within California's Coastal Zone, including our state tidelands. This jurisdiction is provided by the "federal consistency" provisions of the federal Coastal Zone Management Act. Essentially, no permits for new offshore oil and gas operations can be issued absent a finding that the activity is "consistent" with California's federally approved Coastal Zone Management Act, which is administered in California by the California Coastal Commission. Such decisions can be appealed to the Secretary of Commerce in cases where an applicant disagrees with the findings of the Commission.

As mentioned previously, all of the state tidelands off California are off limits for the extraction of oil, except under a few extraordinary circumstances. The position of the Governor, the state legislature, and our key agencies of jurisdiction maintain opposition to new leasing and development of oil and gas resources from the Outer Continental Shelf consistent with our statutory prohibition for such development in State Tidelands.

Conclusion

Let me conclude by saying that California stands ready to work with Congress and the Obama Administration to help craft a comprehensive and science based national energy strategy and a Five Year Oil and Gas Leasing Program. We believe such an approach should be developed with a look toward all of our energy options including energy efficiency, alternative renewable energy sources, and of course the development of oil and gas resources in locations where local and state governments support it, and where the environmental impacts can be mitigated.

The CHAIRMAN. Thank you. Mr. Diers?

STATEMENT OF TED DIERS, CHAIRMAN, COASTAL STATES ORGANIZATION

Mr. DIERS. Good afternoon. My name is Ted Diers. In my day job, I am the manager of the New Hampshire Coastal program within our Department of Environmental Services, but, today, I am here as the Chair of the Coastal States Organization, representing the Governors of the 35 coastal states, commonwealths, and territories, and to talk to you a little bit about some of our concerns, interests, and maybe a way forward as you start to work out some of these issues.

Our 35 coastal states, territories, and commonwealths are at the forefront of ocean and coastal management. Whether it is addressing sea level rise or hazards or renewable energy proposals, coral bleaching, coastal states, we are sort of at this nexus of all of these

different issues and where they come together in the most populous parts of our country.

The coasts and oceans represent an important source of energy for the United States, including oil, natural gas, and renewable energy in the form of tidal, wave, wind energy, and probably things we have not even imagined yet. So the states, as we have members who certainly have production and those that do not, certain ones that want it and do not, but there are some things that we do come together around, and especially that we do need a comprehensive energy policy, and, within that, the states have certain great consensus around three things, and that is what I would like to talk about for just a couple of more minutes here.

The first is that we need to retain state sovereignty and Federal consistency authority.

The second is that planning out into the ocean needs to include both traditional and renewable energy development, and really be science based around the resources that are out there.

Third, we need the establishment of a permanent trust fund because it is through that that we will have the money to do the science and the management and the planning to be able to have a sustainable resource.

Quickly, about state sovereignty, Section 307 of the Coastal Zone Management Act, known as the "Federal consistency provision," grants states authority to review Federal activities, licenses, and permits that have a foreseeable impact on our land or water resources. These activities that are Federal activities must be consistent, to the maximum extent practicable, with the enforceable state policies. Those state policies which are created by the states are approved by the Federal government.

Consistency applies before a permit is issued, and this is really important to recognize, from the state perspective, because, from my perspective, as a coastal manager, consistency is our ticket to the dance. This is how we interact between the Federal agencies and those people who are applying for projects. It allows you to have a dialogue that happens before an impact, before a permit, is in place. Countless numbers of projects have been approved through this project over the years.

Furthermore, I just want to note one thing that has not come up today, and that is that the resources that are out in the Outer Continental Shelf and those resources which are within our coastal zone; it is very hard to differentiate them sometimes. Fish, currents, wave, wind; they do not really care about a line that sits three nautical miles off our shoreline.

I want to talk a little bit about, again, planning out into the ocean and our offshore resources. There is another point that has not really been made too much today, which is that there is significant "regionality" in how we need to think about our offshore resources. We do have some great regional efforts that are coming together in this state, largely led by the states, and I think this is a really interesting movement that is going in regional ocean partnerships, from the Gulf of Mexico Alliance to our West Coast Governors Agreement to, in my own backyard, the Northeast Regional Ocean Council.

We are working together. We are willing to work with our Federal partners and also with the Minerals Management Service as they plan for offshore activities. Just a point there is that while MMS does look at offshore drilling, no one is really looking at those renewable resources yet, and that is something that we need to come together around.

Finally, a permanent trust fund. Chairman Rahall, you noted, in the first hearing, that money from the ocean appears to go everywhere but the ocean, so I think that we need to solve some of that, and the revenues do need to be used for science and management in the future.

It has been said by Robert Ballard that we know more about the surface of Mars than we do about the bottom of the ocean. The only problem in that is that we are not trying to manage the surface of Mars yet, and so this is a real challenge.

I just want to conclude briefly, again, by stating that there are three things that we really want to make sure are looked at and maintained in a comprehensive energy policy: one, that state sovereignty and Federal consistency are maintained; two, that we do planning that looks at both renewable and traditional sources of energy; and, three, that we have the dollars to do great science and management in our offshore areas. Thank you very much.

[The prepared statement of Mr. Diers follows:]

Statement of Ted Diers, Manager, New Hampshire Coastal Program, New Hampshire Department of Environmental Services, on behalf of the Coastal States Organization

Introduction

Good morning, Mr. Chairman and Members of the Committee. My name is Ted Diers and I am the Manager of the New Hampshire Coastal Program of the New Hampshire Department of Environmental Services. I also serve as Chair of the Coastal States Organization which represents the Governors of the nation's thirty-five coastal states on the sustainable management of the nation's ocean, Great Lakes and coastal resources. Thank you for holding this important hearing this afternoon and for inviting me to testify on behalf of the coastal states.

Let me start by saying that the 35 coastal states, territories, and commonwealths that are members of the Coastal States Organization are at the forefront of ocean and coastal management in this nation. Whether it's addressing sea level rise and hazards in the Gulf States, renewable energy proposals off the northeast coast, or coral bleaching in the Pacific Islands, coastal states are on the front lines of these issues. Our ocean and coastal resources are not only important to us at the state level, but to citizens throughout this nation.

Coastal and ocean areas also represent an important source of energy for the U.S., including oil, natural gas, and renewable energy in the form of tidal, wave and wind energy. Use of the oceans for energy production requires a commitment to responsible development that promotes protection of living marine resources, seafloor habitats, and coastal communities. Such development must proceed from an understanding that our oceans are held in public trust for all citizens, and that multiple uses (including energy production) must be consistent with the long-term productivity of these resources.

As the U.S. crafts a national energy policy, including coastal and offshore energy development, it is important to consider three key factors which I will address today: 1. the retention of state sovereignty and consistency authority; 2. the planning for the nation's Exclusive Economic Zone including traditional and renewable energy development; and, 3. the establishment of a permanent trust fund.

Our position is simply stated—The development of offshore renewable and traditional energy must be part of a comprehensive plan in which the states are full partners, addresses regional needs and opportunities and uses the best science possible. And, that effective planning and good science has costs associated with it.

State Sovereignty and Consistency Authority

While offshore energy production benefits the entire nation, the impacts from activities associated with exploration, development and production on state coastal lands and federal offshore lands are felt most in coastal states. Thus, it is vital for state authority and sovereignty to be maintained. CSO recommends that Congress and the Administration consult with coastal states in the development of any new leasing program or formula of revenue sharing. In the past, offshore moratoria have been the result of a fractured, exclusive and federally-driven energy policy. If indeed we are heading in direction of a “post-moratorium” world, the ability for a state to review actions related to offshore oil and gas drilling is essential.

Section 307 of the Coastal Zone Management Act, known as the federal consistency provision, grants states authority to review federal activities, licenses and permits that have reasonably foreseeable effects on any land or water use or natural resource of the coastal zone. These activities must be consistent to the maximum extent practicable with the enforceable policies of a coastal state’s federally approved coastal management program. This has been a primary method of ensuring more sustainable development of the nation’s coasts.

Consistency applies before a federal permit is issued; thus, it facilitates early consultation between states, federal agencies and permit applicants in order to avert disputes from arising after substantial commitments have been made by agencies and applicants. In practice, consistency is important as a “ticket to the dance”—allowing states to have a seat at the table in decisions related to the coasts. Without these early reviews, there would be much more uncertainty, litigation and calls for federal legislative intervention in actions in coastal communities. To increase efficiency for states, federal agencies and applicants, many states have created streamlined approaches to energy related activities.

In granting states consistency authority, Congress recognized that federal interests and activities must be balanced with the sovereign interests of states in managing coastal resources. This is the underlying philosophy of the CZMA and the consistency provision. State coastal programs must receive federal approval for a state to exercise its consistency authority; likewise, each enforceable policy upon which it relies must also receive federal approval.

Furthermore, the resources of the OCS and the coastal zone are many times difficult, if not impossible, to differentiate. Fish, currents, wind and wave care little about an imaginary line drawn 3 nautical miles from our shores. As the committee considers offshore energy, the retention of consistency under the CZMA must be a priority.

Planning for the Exclusive Economic Zone including Oil and Gas and Renewable Energy Development

Given the prices and impacts of oil consumption, offshore oil and gas development must be considered in the context of the development of renewable energy and both must be balanced with the care of oceans and coasts and the economic viability of coastal communities. The energy needs and even the offshore resources of any particular state do not occur in a vacuum. There is significant “regionality” to both offshore needs and opportunities. Thus, the regional scale is appropriate for science based planning. The states are moving to take on some of these regional needs through the development of regional ocean partnerships. From the Gulf of Mexico Alliance to the West Coast Governors Agreement, the Great Lakes Commission to by own back yard in the Northeast Regional Ocean Council, the state are working together to create the framework for large-scale problem solving. This regional ocean partnership movement is a distinct opportunity for the state and federal government to work together.

Development of diverse and numerous sources of alternative renewable energy is critical to our nation’s energy security and environmental well-being. The federal role is crucial because virtually every site where ocean renewable energy technology is likely to be tested or deployed is subject to federal jurisdiction. Unlike conventional wind and solar, ocean renewable energy technology cannot be tested or deployed on private land. The industry will emerge and mature in the United States only if the federal government uses its resources and authorities to plan for and encourage appropriate use of the marine areas it controls.

While the Minerals Management Service plans for offshore oil and gas drilling, no federal or interstate body has taken on the task of planning for renewable energy development. Furthermore, there are myriad other coastal offshore uses and resources to consider when planning for energy development. CSO encourages the consideration of renewable energy in a national energy policy and legislation, including planning that addresses uses, resources, and impacts.

Establishment of a Permanent Trust Fund

Great science and planning cost money. In the first OCS hearing in this series by the Committee on February 10, Chairman Rahall, you noted that “money from the ocean appears to go to everything but the ocean.” Indeed, even though coastal states are affected exponentially by the impacts of offshore energy development, receipts derived from sales, bonus bids and royalties under the mineral leasing laws are paid to the Treasury through the Minerals Management Service. But, these revenues are not directly applied to pay for Federal or State agencies’ examination, monitoring and managing wildlife, fish, water and other natural resources related to energy and mineral exploration and development.

The establishment of a Trust Fund provides a mechanism for reinvestment of the revenues generated from these public lands toward protection of coastal resources and communities. The Trust Fund can support the focused efforts of coastal states, territories and commonwealths, other appropriate coastal authorities, and federal agencies in addressing critical ocean and coastal management needs of our nation including restoration, protection, and enhancement of natural processes and habitats. This will help minimize the impacts of relative sea level rise, global warming, and ocean acidification and provide technical assistance and research to better anticipate and plan for the impacts of global warming and ocean acidification on ocean and coastal resources.

In its Final Report, the U.S. Commission on Ocean Policy identified a myriad of challenges to improve the management of our nation’s ocean and coastal resources. The Commission recognized that to meet these challenges additional investments would be necessary, and Outer Continental Shelf receipts were identified as the primary source of funding. Additionally, the Commission recommended that a portion of OCS revenues should be shared with coastal states (Recommendation 24-1). Revenues shared with the states should further the goals of improved coastal and ocean management.

In 2006, the Coastal States Organization adopted a policy on revenue sharing which states that “Because the coastal states face a number of challenges in conserving their coastal resources and protecting their coastal communities, OCS receipts should be used to further the goals of coastal and ocean restoration, conservation, preservation, mitigation, research, and education.” While the coastal states may not agree on the presence of offshore oil and gas drilling off their shores, they do agree in the reinvestment of funds from these public resources. Furthermore, these funds should be provided over and above existing appropriations to meet the increasingly complex and unmet needs of ocean and coastal managers.

It has been said that we know more about the surface of Mars than we do about the bottom of the ocean. The problem with that is we are not yet trying to manage use conflicts on Mars, but we are here on Earth.

Conclusion

The oceans will continue to play an important role in access to sustainable and reliable energy. By retaining the state review authority, reinvesting a portion of public trust revenues on marine and coastal resources, and planning for both traditional and renewable energy development, new energy legislation will enhance our nation’s ability to meet pressing ocean and coastal needs in an economical, efficient, and sustained manner.

In legislation regarding OCS activities, CSO requests:

- Federal consistency authority under the Coastal Zone Management Act should be maintained and states’ authority within their own jurisdictions should not be weakened in any way.
- Congress and the Administration should commit to planning for the EEZ that includes energy policy based on development of traditional and renewable energy sources, and is enhanced by state-led regional partnerships.
- Revenues should be shared with coastal states and used to further the goals of coastal and ocean management, restoration, conservation, preservation, mitigation, and research.

Thank you again for the opportunity to address the Committee and for holding this important series of hearings. The Coastal States Organization stands ready to work with you to continue this progress of making important improvements to energy policy and coastal and ocean management. We look forward to the advancements that we can make in the coming year.

The CHAIRMAN. Thank you. Dr. Marvinney?

**STATEMENT OF ROBERT G. MARVINNEY, PH.D., STATE
GEOLOGIST AND DIRECTOR, MAINE GEOLOGICAL SURVEY**

Mr. MARVINNEY. Thank you very much, Chairman Rahall and Members of the Committee, for this opportunity. I am Robert Marvinney. I am the Maine State Geologist, and I am speaking here on behalf of Maine Governor John Baldacci. I will summarize some of the key points from my written testimony, focusing on, first, Maine's focus on renewable energy resources; a brief discussion of the past exploration for oil and gas off the New England Coast and what opportunities that may come from offshore oil and gas for Maine; and a bit on the fisheries at Georges Bank.

Currently, Maine has the highest per capita dependence on No. 2 heating oil of any state in the nation, and this is a critical concern for us, particularly with the severe winters we have experienced over the last several years. That makes—for low- and middle-income people—very difficult choices between vital expenses and home heating, and those energy costs have risen dramatically in the last 10 years.

The Governor has focused several efforts on renewable resources in the state. We have a Wood To Energy Task Force that looks at using the vast forest resources of the state—we are the most heavily forested state in the Nation—and using those to meet some portion of our energy needs. We are working on wood pellet systems, and the University of Maine is also looking at ethanol from wood and other areas.

We have also had a Wind Power Development Task Force that looked at onshore opportunities for wind power development and have moved considerably forward on that, and, most recently, the Governor established an Ocean Energy Task Force to look at the indigenous and renewable resources, potential offshore, that address our energy needs and increasing our state's energy independence, reducing greenhouse gas emissions, and limiting our vulnerability to unpredictable foreign fuel supplies. But we are not ignoring any potential offshore, and, certainly, we recognize that wind has a huge potential off the coast of Maine.

The past efforts at oil and gas exploration were in the 1970s and 1980s, mostly in the Georges Bank area. The remainder of the Gulf of Maine really does not have the kind of geology that would be suitable for the development of the existence of oil and gas. It is really an extension of our rock-bound coast well offshore.

We are talking primarily about the Georges Bank, where, in the seventies and eighties, there were 10 exploration wells and associated exploration work, and, in the MMS, their summary reports show that these wells did not make any discoveries, nor did they generally find the kinds of geologic conditions that were conducive to the development of oil and gas resources there.

Of course, there has been exploration and development on the shelf off of Nova Scotia, and there is at least one significant discovery at Sable Island, with a gas resource. That was discovered 30 years ago, and, in the following time, some smaller discoveries have been made but nothing substantial.

There is certainly a potential for offshore resources there, and MMS has made some assessments that the entire North Atlantic planning area, extending from New Jersey through the coast of

Maine, might have two billion barrels of oil and 18 trillion cubic feet of natural gas. I just want to point out that, for comparison, that same assessment suggests that the Gulf of Mexico might have 45 billion barrels of oil and 230 trillion cubic feet of gas, much larger numbers than the North Atlantic.

There is certainly potential for oil and gas offshore, and there is some potential for economic opportunities for the Northeast. I think, though, if I were standing on the coast of Maine, looking offshore across most of the Gulf, which does not have the potential, out to the Georges Bank, I think we are mostly concerned about the potential costs of oil and gas development because just the proximity of the greatest potential for oil and gas is closer to other New England states.

So, from a strictly provincial viewpoint of the State of Maine, we do not see a tremendous amount of benefit coming from that activity in that area. However, Georges Bank is a huge fishery resource for the State of Maine, and the largest dollar value of our fishery resource comes from that Georges Bank, where the situation of nutrients and currents makes it a highly productive spawning ground and growth area for many kinds of commercial species.

I am not saying that there are not problems with fisheries, but we certainly feel that the effort should focus on rebuilding those fisheries.

So, in summary, we are not opposed to offshore oil and gas drilling, but we think it ought to be focused in the areas with the greatest potential and preserve other areas for their greatest potential of other resources. I think we agree with other states that there ought to be revenue sharing with these offshore resources, and also our concern about the Georges Bank fisheries is our greatest concern, and we want to make sure every effort is put in place to protect those resources. Thank you.

[The prepared statement of Mr. Marvinney follows:]

**Statement of Robert G. Marvinney, Ph.D., State Geologist and Director,
Maine Geological Survey**

Chairman Rahall and members of the House Committee on Natural Resources, thank you for this opportunity to provide Maine's perspective on offshore drilling and our nation's energy future. I am Robert Marvinney, State Geologist and Director of the Maine Geological Survey, speaking on behalf of Maine Governor John Baldacci.

My testimony today will focus on these main topics:

- Maine's focus on renewable energy resources. The Governor and Legislature are considering all options in a comprehensive energy plan that focuses on efficiency, renewability, reduction of greenhouse gas emissions, and energy independence. In these areas the Gulf of Maine holds high potential as a source of renewable wind and tidal power.
- Past exploration on the outer continental shelf of the New England states did not discover optimum conditions for hydrocarbon generation and accumulation. Recent assessments by the Minerals Management Service indicate some potential for undiscovered reserves in the North Atlantic Planning Area, but these are small when compared to other parts of the OCS with more favorable conditions.
- Exploitation of hydrocarbons on the OCS may bring economic benefits, but due to the proximity of potential reserves to other parts of the coast, Maine is not likely to be a significant recipient of these benefits.
- The Georges Bank is among the most significant fisheries in the northeastern United States, and supports a significant part of the economy in New England coastal communities. We are concerned about additional stress to this resource.

Renewable Energy Resources

Currently, Maine has the highest per capita dependence on #2 heating oil of any state in the nation. The past several winters have been particularly difficult for low- and middle-income and elderly Mainers who are making very difficult choices between home heating and other vital expenditures. Energy costs have grown from 5% to 20% of a Maine family's budget in just the past 10 years¹.

In response to this crisis and his commitment to a state energy policy focused on efficiency, renewability, greenhouse gas reduction and energy independence, Governor Baldacci established several important groups to focus on segments of the energy market. Maine is the nation's most heavily forested state, and the Governor's Wood to Energy Task Force focused on harnessing the wood supply to meet a significant portion of our energy needs. Maine people use the State's forest resources for cordwood and pellets to heat homes and businesses and as biomass to generate electricity. University of Maine researchers are advancing the process to make cellulosic ethanol from wood.

In 2007, the Governor established a Task Force on Wind Power Development, the recommendations of which have been instrumental in advancing the implementation of onshore wind power in Maine.

In November 2008, Governor Baldacci established the Ocean Energy Task Force² to focus primarily on Maine's indigenous and renewable offshore energy potential and its promise to address state and regional energy needs, including increasing our state's energy independence, reducing greenhouse gas emissions, and limiting our vulnerability to the unpredictable costs and supplies of fossil fuels. While ignoring no potential energy option in Maine's offshore environment, this effort will focus in particular on the enormous potential of tides and wind. Tidal power is quickly achieving commercial viability, and one developer has been working with a community and testing its in-stream tidal energy device. It is estimated that the Gulf of Maine holds as much as 150 gigawatts of wind potential in both shallow and deep state and federal waters³.

Petroleum Exploration History and Oil and Gas Potential of the Georges Bank

The Ocean Energy Task Force will also consider the potential for offshore oil and gas reserves in its comprehensive review of the ocean energy resources of the Gulf of Maine. Most of the Gulf of Maine is underlain with geology that is not suitable to the generation of oil or natural gas. The rocks are basically an extension of the high-grade metamorphic rocks and granite intrusions that characterize the rock-bound coast of New England and have been heated well beyond the optimal conditions for hydrocarbon generation.

The area with the highest potential for oil and gas reserves is the Georges Bank, a relatively shallow plateau situated more than 100 miles southeastward from the Maine coast. The oval shaped Bank is approximately 150 miles long, 75 miles wide, and with waters as shallow as 30 meters along its northwest edge, forms a barrier to the deeper Gulf of Maine waters to the north (Figure 1). The northeastern most portion of the Georges Bank falls within Canada's territorial waters.

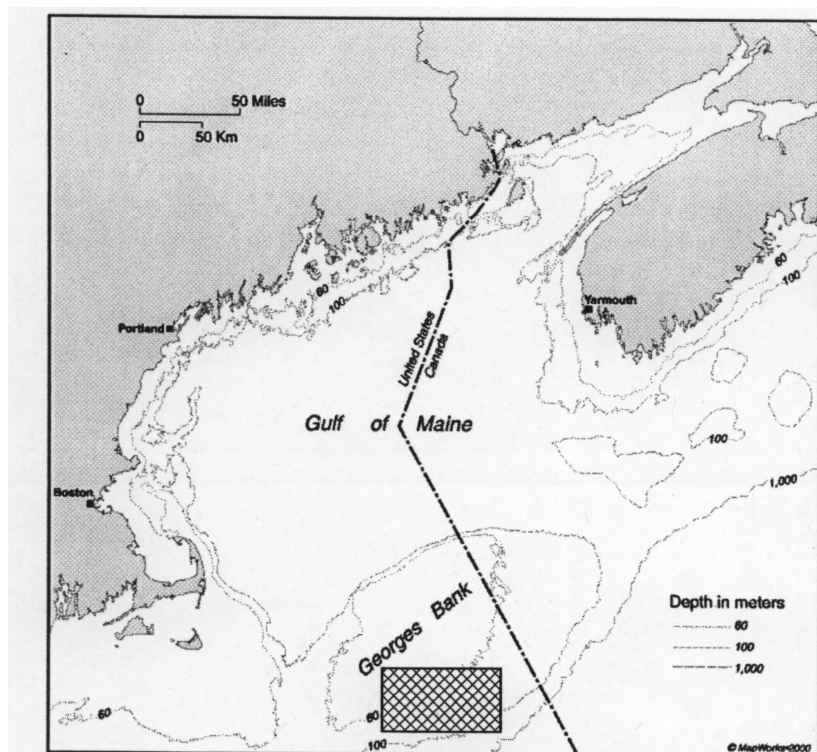


Figure 1. Outline map of the Gulf of Maine and Georges Bank⁴. Cross-hatched box shows the approximate location of leases and exploration wells of the 1970s and 1980s.

The only oil and gas exploration activity on the Georges Bank was conducted during the 1970s and early 1980s when 10 wells were drilled in the most promising areas identified through the best exploration methods then available. In a summary report, the Minerals Management Service indicated that hydrocarbons were not discovered in these wells, that thermally mature source rocks are lean in the organic material necessary to generate hydrocarbons, and that other units lacked adequate porosity to be considered good reservoir rocks⁵. As this Committee is aware, the Georges Bank was under annual congressional moratoria on oil and gas leasing from 1982 to 2008. No wells have been drilled on the Canadian portion of the Georges Bank and a leasing moratorium has also been in effect there since 1988.

Our colleagues in neighboring Nova Scotia, however, have demonstrated that geology similar to that of the Georges Bank can be productive. Since exploration began on the Scotian shelf in the 1950s, 24 significant hydrocarbon discoveries have been made in this part of Canada's outer continental shelf⁶. These have been mostly natural gas discoveries. The most notable, Sable Island, may eventually produce a total of 2 trillion cubic feet (Tcf) of gas, although estimates vary widely. Since the Sable Island discovery over 30 years ago, a very active exploration program has brought little additional reserve forward. With improved technologies, exploration is advancing toward deeper waters, which may hold the best potential for significant new reserves.

The government of Nova Scotia is actively supporting exploration activities on the Scotian Shelf due, in part, to the revenue sharing agreement with Canada's national government that brings to the province \$500 million in royalties annually⁶. In 2010, the governments of Canada and Nova Scotia will decide whether or not to extend the moratorium on Georges Bank leasing which is set to expire at the end of 2012.

While past exploration has not uncovered notable reserves, nor found conditions generally favorable for hydrocarbon accumulation, there is some potential for petroleum discoveries on Georges Bank and elsewhere in the North Atlantic. The Minerals Management Service periodically conducts assessments of undiscovered hydrocarbon reserves of the outer continental shelf nationwide, most recently in 20067. These assessments take into account past exploration data and information for new discoveries in areas with analogous geology, which for the Georges Bank include the Scotian Shelf. The assessment of undiscovered, technically recoverable reserves for the entire North Atlantic Planning Area, which extends from the border with Nova Scotia in the Gulf of Maine to the Delaware border, is a mean of 2 billion barrels of oil and 18 Tcf natural gas (Table 1). The greater proportion of this potential is probably in the southern part of this region near New Jersey where earlier exploration wells discovered gas. For comparison purposes, this same assessment indicates that the Gulf of Mexico area contains undiscovered reserves of 45 billion barrels of oil and 230 Tcf of gas—over 20 times more oil and 12 times more gas than the entire North Atlantic Planning Area. Additionally, Gulf of Mexico states already have in place the infrastructure necessary to support exploration and development activities.

Oil and gas exploration and development techniques have improved dramatically in the past 30 years, and if applied to the Georges Bank could possibly generate new discoveries, but these would likely be small compared to other areas of the Outer Continental Shelf.

Table 1. Estimates of undiscovered oil and gas for the Atlantic and Gulf of Mexico planning areas⁷.

Region	Undiscovered Technically Recoverable Oil and Gas Resources (UTRR)									Undiscovered Economically Recoverable Oil and Gas Resources (UERR)						
	Oil (Bbo)			Gas (Tcfg)			BOE (Bbo)			\$46/Bbl \$6.96/Mcf		\$63/Bbl \$9.07/Mcf		\$80/Bbl \$12.10/Mcf		
	Planning Area	95%	Mean	5%	95%	Mean	5%	95%	Mean	5%	Oil (Bbo)	Gas (Tcfg)	Oil (Bbo)	Gas (Tcfg)	Oil (Bbo)	Gas (Tcfg)
		Mean			Mean			Mean			Mean		Mean		Mean	
Atlantic OCS	1.12	3.82	7.57	14.30	36.99	66.46	3.67	10.40	19.39	2.23	13.70	2.57	17.28	2.84	20.75	
North Atlantic	0.57	1.91	3.80	7.18	17.99	32.17	1.85	5.12	9.52	1.15	6.91	1.32	8.65	1.45	10.32	
Mid Atlantic	0.43	1.90	2.96	5.44	15.13	27.53	1.39	4.19	7.86	0.81	5.12	0.94	6.60	1.06	8.06	
South Atlantic	0.13	0.41	0.81	1.67	3.86	6.76	0.43	1.10	2.01	0.27	1.67	0.30	2.04	0.33	2.36	
Gulf of Mexico OCS	41.21	44.92	49.11	216.83	232.54	249.08	80.15	86.30	93.43	35.79	162.83	38.20	184.79	40.21	201.55	
Western Gulf of Mexico	9.80	10.70	11.80	62.65	66.25	70.17	20.95	22.43	24.28	8.69	51.86	9.25	56.47	9.71	59.87	
Central Gulf of Mexico	28.41	30.32	32.77	134.45	144.77	156.56	52.33	56.08	60.62	24.23	101.00	25.82	114.98	27.16	125.67	
Eastern Gulf of Mexico	2.76	3.88	5.51	18.96	21.51	25.96	5.97	7.71	10.13	2.85	9.96	3.11	13.32	3.33	16.00	
Straits of Florida	0.01	0.02	0.03	0.01	0.02	0.02	0.01	0.02	0.04	0.01	0.01	0.01	0.01	0.01	0.01	

Potential benefits of oil and gas development at Georges Bank

Georges Bank oil and gas development could provide benefits to the state of Maine, the Northeast region, and the U.S. Although a substantial period of time is necessary for exploration and development activities, eventually, new hydrocarbon resources could be brought on line that, in small measure, reduce dependence on unstable foreign sources. In addition to the exploration and development jobs themselves, such activities would generate on-shore support jobs. However, I think we need to be clear about the limited extent to which such development has potential to directly benefit Maine. The proximity of the Georges Bank is such that any support base for exploration and development activities there would likely be situated in Massachusetts or Rhode Island. That said, Maine has a track record of benefiting from petroleum exploration. One Maine corporation recently constructed two semi-submersible platforms for petroleum development; their work would certainly be enhanced by Georges Bank development. However, this corporation has also demonstrated that they can compete globally since those two rigs were deployed in waters off Brazil.

Georges Bank Fisheries⁸

Georges Bank is the most westward of the great Atlantic fishing banks—those now-submerged portions of the North American mainland that extend from the Grand Banks of Newfoundland to Georges Bank. They rank among the world's most productive fisheries. Lying adjacent to New England's famous seaports, Georges Bank is single-handedly responsible for the development of coastal fisheries in towns such as Gloucester, Massachusetts and Portland, Maine. The varied nature of sedimentary environments on Georges Bank is a key element in the development of the biological community. Seafloor sediment originally was transported to the bank by glaciers. During and after glacial retreat, the rise of sea level and the ac-

tion of tidal and storm currents marked the start of an erosional episode on the bank that continues today. Gravel formed through this process is an important habitat for the spawning and survival of several fishery species⁹. For instance, distribution patterns of juvenile cod indicate that the gravel habitat is where they are best able to avoid predators and to find food sources. The topography and position of the bank result in upwelling of nutrient-rich waters circulating in the Gulf of Maine. These nutrients, introduced into the sunlit waters over the bank, and interaction with warm Gulf Stream currents on the southern edge of the Banks, support exceptional rates of productivity, including many species of commercial importance. These are important spawning, juvenile and feeding grounds for cod, haddock, herring, and other commercial species. The scallop resource on Georges Bank is also very productive and valuable. In Maine, a substantial portion of the fishing fleet is dependent on the Georges Bank, and the largest dollar value of the commercial catch brought to Maine ports comes from this location.

Certainly, there are issues with over-fishing the Georges Bank, but government efforts focus on managing the fishery to rebuild stocks. Under current conditions, the fishery resources of Georges Bank are important to the economy of Maine and New England. With rebuilding of these resources, their economic value will be increased very significantly.

Summary

1. We are not opposed to offshore drilling in general and recognize that for the near term, the nation needs sources of oil and gas that are not vulnerable to foreign ownership and control. However, oil and gas development efforts should be focused in the areas with the greatest potential, and where infrastructure is already in place to support the activity.
2. Wherever additional areas of the Outer Continental Shelf are accessed for oil and gas development, states should benefit directly through revenue sharing, as occurs with states around the Gulf of Mexico and in Canada.
3. The Georges Bank has great economic value as a fishery. In spite of the troubled nature of the fishery, it supports a substantial portion of the New England economy. We are concerned about potential negative impacts of oil and gas development on the fishery.
4. Oil and gas development could bring additional jobs to the region, but these would most likely be in southern New England.
5. We believe the resources of the Gulf of Maine are most suitable to renewable energy development, with tidal and offshore wind power being the primary resources. Renewable wind power may provide manufacturing and support employment and contribute to a sustainable, secure energy future.

Notes

1. Daghar, H., as presented to Ocean Energy Task Force: <http://www.maine.gov/spo/specialprojects/OETF/Documents/Dagher%2012%2017%2008.pdf>
2. Ocean Energy Task Force website: <http://www.maine.gov/spo/specialprojects/OETF/index.htm>
3. Daghar, H., Director, University of Maine Advanced Structures and Composites Center: <http://www.aewc.umaine.edu/072208Dagher.pdf>
4. Gulf of Maine times, 2000, Vol. 4, No. 1, map copyright MapWorks 2000.
5. Edson, G.M., Olson, D.L., and Petty, A.J., 2000, Georges Bank Petroleum Exploration: Minerals Management Service OCS Report 2000-031, 20 p.
6. Canada-Nova Scotia Offshore Petroleum Board: <http://www.cnsopb.ns.ca/>
7. Minerals Management Service, 2006, Planning Area Resources Addendum to Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf, 2006
8. Fisheries information in this section compiled from discussions with George Lapointe, Commissioner, Maine Department of Marine Resources.
9. USGS Fact Sheet, Geology and the fishery of Georges Bank, <http://pubs.usgs.gov/fs/georges-bank/>

The CHAIRMAN. Thank you. Senator Wagner?

**STATEMENT OF HON. FRANK W. WAGNER,
STATE SENATOR, SENATE OF VIRGINIA**

Mr. WAGNER. Thank you, Chairman Rahall, Congressman Hastings. I am glad I do not have to follow Congressman Rohr-

abacher or Congressman Abercrombie. They are certainly tough acts to follow.

As you know, Mr. Chairman, Virginia has taken a leadership role in asking the Federal government to open up the Atlantic Outer Continental Shelf for exploration of hydrocarbons. The official policy of Virginia is to request that the Federal government allow for exploration for natural gas only and no closer than 50 miles from our own coastline.

However, there are many in Virginia, including myself, that, consistent with Navy training requirements and environmental review, would take a much broader approach.

We, in Virginia, were pushing this policy long before \$4-a-gallon gasoline and prior to the current large-scale recession in which we find ourselves.

During peak energy prices last summer, it was estimated that this nation was spending nearly \$700 billion a year importing hydrocarbon energy from outside the borders of this country. This dollar figure is surprisingly similar to the TARP package and the economic stimulus package that this Congress passed within the last few months.

Mr. Chairman, imagine for a minute, if those hundreds of billions of dollars we currently spend outside the borders of this country buying energy were spent inside this country, developing our own natural resources, employing Americans to produce American energy for American industry.

At a time when job creation and economic stimulus is absolutely critical, putting Americans back to work developing our own natural resources will go a long way toward restoring America's economic vitality.

Mr. Chairman, I need not tell you that states are struggling. I just drove up from Richmond, where Virginia is attempting to close a nearly \$4 billion deficit. This Congress has authorized revenue sharing with coastal states, in some instances, as part of opening up more areas of the Outer Continental Shelf. We sincerely hope that you continue the program.

Mr. Chairman, I ask you to only look north to our friends in Canada. They are already in the Atlantic Outer Continental Shelf, recovering some 500 million cubic feet of natural gas a day off of Nova Scotia in the Sable Island area. It is also my understanding that they have opened up significant oil deposits off of Newfoundland farther out in the Atlantic Basin.

To our south, Cuba is already entertaining leasing structures and putting together programs just within 50 to 70 miles off the coastline of Florida, yet we continue to restrict access to potential reserves of an unknown amount because this nation has chosen to restrict even the basics of exploration to make this determination. In this instance, ignorance is not bliss.

Mr. Chairman, because of Virginia's actions, we are currently in the MMS Five-year Leasing Plan with a potential lease sale occurring as early as 2012. We would encourage you to work with Secretary Salazar to keep Virginia on schedule.

We, in Virginia, recognize there is no one silver bullet for this nation's energy problems. The solution must be thought of as a silver shotgun shell where each pellet is equally important as the oth-

ers. Opening additional OCS is one of those pellets. Expansion of nuclear power and revisiting prior decisions on breeder reactors is another. Conservation, energy efficiency, development of renewables, and alternative energies are all pellets that go in that shotgun shell.

Three years ago, in Virginia, we passed a comprehensive energy plan, which I have authored and with bipartisan support. The Virginia energy plan includes all forms of energy I just mentioned, as well as expansion of energy research and development, expansion of conservation, and moving forward.

However, we do not hold the keys, Mr. Chairman. You, in Washington, do. Please unlock these doors. Once we have opened up the MMS action to date with regard to Virginia's OCS, open that door for other states that want to follow Virginia. Facilitate the expansion of our nuclear industry. Open up more areas for energy development. Continue to expand the good work to date on funding R&D. Expand our efforts to use existing energy more wisely.

We, as a nation, are at a critical juncture where the health of our economy and the health of our economy and the health of our planet are intertwined. We look to you, our Federal representatives, to make the right decisions for the future of our country. Please hear my plea to allow us Americans to take advantage of our domestic resources so that we may secure America's energy independence while putting Americans back to work.

Thank you for allowing me this minute, Mr. Chairman, and I will take the last minute just to kind of go off script a little bit and talk.

We have heard a lot of talk about what we are doing here. What we are doing is we are restricting ourselves from our own national energy resources, yet, at the same time, buying the same hydrocarbon resources from outside our border.

I can tell you, Mr. Chairman, I know you know this, and I know all of the Members of the Committee, Americans out there are nervous. They are afraid. They are very concerned about their jobs. They are very concerned about the economic future. We start talking about renewables, and MMS is still trying to put a five-year plan together for offshore leasing for renewables.

The obstacles that are up as part of the permitting processes mean there is no quick solution as equally as important as opening up these areas and doing these other things. We need to look at the process of getting these things.

We talk a lot about green jobs; I spent weeks, years, trying to get one small renewable project permitted in Virginia, and we are still no closer than we were before.

I think we really need to look at this in the context of not just what we do but also how we get there from where we are today. I think it is a very serious problem. I think it is a core problem for this economy and this nation, and I hope that you all can make the right decisions here and move forward in a bipartisan manner but recognize that it is all of our resources for all ourselves. Thank you, Mr. Chairman.

[The prepared statement of Mr. Wagner follows:]

**Statement of The Honorable Frank W. Wagner, Senator,
Senate of Virginia, 7th District**

Thank you, Chairman Rahall, Congressman Hastings, for the opportunity to testify before you today.

As you know, Mr. Chairman, Virginia has taken a leadership role in asking the federal government to open up the Atlantic Outer Continental Shelf for exploration of hydrocarbons. The official policy of Virginia is to request that the federal government allow for exploration for natural gas only no closer than fifty miles from our own coastline.

However, there are many in Virginia, including myself, that consistent with Navy training requirements and environmental review, would take a much broader approach.

We in Virginia were pushing this policy long before \$4 a gallon gasoline and prior to the current large-scale recession in which we find ourselves.

During peak energy prices last summer, it was estimated that this nation was spending nearly \$700 billion a year importing hydrocarbon energy from outside the borders of this country. This dollar figure is surprisingly similar to the TARP package and the economic stimulus package that this Congress passed within the last few months.

Mr. Chairman, imagine for a minute, if these hundreds of billions of dollars we currently spend outside the borders of this country buying energy were spent inside this country, developing our own natural resources, employing Americans to produce American Energy for American Industry.

At a time when job creation and economic stimulus is absolutely critical, putting Americans back to work developing our own natural resources would go a long way towards restoring American economic viability.

Mr. Chairman, I need not tell you that states are struggling. I just drove up from Richmond where Virginia is attempting to close a nearly \$4 billion deficit. This Congress has authorized revenue sharing with the coastal states as part of opening more areas of the Outer Continental Shelf. We sincerely hope you continue the program.

Mr. Chairman, I ask you to only look north to our friends in Canada. They are already in the Atlantic Outer Continental Shelf recovering 500 million cubic feet of natural gas a day off of Nova Scotia. Canada is also expanding hydrocarbon recovery in the Atlantic basin off Newfoundland. To our south, Cuba is moving forward with development of their offshore resources. Yet, we continue to restrict access to potential reserves of unknown amount because this nation has chosen to restrict even the basics of exploration to make this determination. Mr. Chairman, in this instance ignorance is not bliss.

Mr. Chairman, because of Virginia's actions, we are currently in the MMS five-year leasing plan with potential lease sales occurring as early as 2012. We would encourage you to work with Secretary Salazar to keep Virginia on schedule.

We in Virginia recognize that there is no one silver bullet to solve our nation's energy crisis. The solution must be thought of as a silver shotgun shell, with each pellet as important as the next.

Opening additional OCS areas is one pellet. Expansion of nuclear power and revisiting prior decisions on breeder reactors is another. Conservation, energy efficiency, development of renewables and alternative energies are pellets, and the list goes on.

Three years ago in Virginia we passed a comprehensive energy plan, which I authored, with bipartisan support. The Virginia Energy Plan includes all the forms of energy just mentioned as well as the expansion of energy research and development.

However, we do not hold the keys, Mr. Chairman. You in Washington do. Please, Mr. Chairman, unlock the doors. One has been opened with MMS' action to date with regards to Virginia's OCS. Open that door for other states that want to follow Virginia. Facilitate the expansion of our nuclear industry. Open up more areas for energy development. Continue to expand the good work to date on funding energy R&D. Expand our efforts to use our existing energy more wisely. We as a nation are at a critical juncture where the health of our economy and the health of our planet are intertwined. We look to you, our federal representatives, to make the right decisions for the future of our country. Please hear my plea to allow us as Americans to take advantage of our domestic resources so we may secure America's energy independence while putting Americans back to work.

Thank you for allowing me to testify before you today. I would be happy to answer any questions at the appropriate time.

The CHAIRMAN. Thank you, Senator. Mr. Graves?

**STATEMENT OF HON. GARRET GRAVES, DIRECTOR,
LOUISIANA GOVERNOR'S OFFICE OF COASTAL ACTIVITIES**

Mr. GRAVES. Thank you, Mr. Chairman. Happy Mardi Gras. It is a state holiday, but apparently nobody else got the headline.

The CHAIRMAN. Happy Mardi Gras to you, too.

Mr. GRAVES. I want to thank you very much for the opportunity to testify today. It is actually better, for both my health and marriage, that I am here versus there, I am sure.

I want to show a quick satellite depiction from NOAA of North America. You can see, 60 million years ago, how the Mississippi River Delta was somewhere near Illinois perhaps. Over this 55-million-to-60-million-year period, you can see the evolution. The point here is that you have an extraordinarily dynamic coastal area in Louisiana, an extraordinarily dynamic delta in coastal Louisiana, that today is one of the most productive areas in the nation.

An MMS report, years ago, determined that the evolution of the oil and gas industry has had profound impacts on the culture, geography, society, and the economy of the state in the 20th century.

In reviewing the testimony in the hearing that was held by this Committee on February 11th, a number of issues were repeated, and they pertain to tourism, commercial fishing, recreational fishing, and the maritime industry. Those concerns that were brought up were hypothetical projections or estimates of what would happen if additional offshore production were established in states that currently do not host such production, or if production was expanded where states that are currently hosting.

I can show you exactly what is happening in Louisiana rather than giving you theories or hypothetical suggestions of what is happening. This is really what we are facing and what we have seen in Louisiana after several decades of production.

New Orleans is one of the top tourist destinations in the Nation and the world. We have 10 million visitors to New Orleans alone and over 20 million visitors to Louisiana last year, and it is one of the state's largest economies, totaling \$10 billion just last year.

The commercial fishing industry; we have the top commercial fishing industry in the continental United States, the top producer of crabs, oysters, crawfish, and we were the top producer of shrimp until Katrina wiped out our infrastructure, but we will take that back from Texas. The commercial fishing industry represents 50,000 jobs in the state and has a \$2 billion economic impact.

Here is some NOAA data showing, and confirming, again, the importance of the commercial fishing industry to Louisiana. The top fishing ports in the Nation are in Louisiana, with the exception of one in Dutch Harbor, Alaska.

On the recreational fishing side, Louisiana is home to numerous national and world fishing records. There are 1.2 million saltwater anglers just in 2006, and recreational fishing in our coastal area represents a \$3 billion annual impact, tens of thousands of jobs, and Louisiana has the fourth-best recreational fishing industry in the nation, measured by economic activity.

In addition, in terms of the sustainability and the productivity of our ecosystem, many of you may remember that alligators were on

the brink of collapse several years ago. As a result of improvements to the ecosystem in coastal Louisiana, the alligator population has rebounded. Now, we actually have hunting seasons for alligator, in addition to a very active farm-raised alligator community and population: boots, belts, and other products I will be selling later. But, again, just showing the success of the ecosystem.

On the maritime side, once again, there were concerns expressed in the previous hearing that oil and gas development would box out the maritime industry by requiring the use of the ports and limited slips, and things like that. Louisiana is home to five of the top 15 ports in the nation, and that does not count the impact from oil and gas activity. It is not measured in these statistics.

We have the top tonnage port in the hemisphere, the largest port system in the world between Baton Rouge and New Orleans, and over 30 states today rely upon our port system for maritime commerce.

In addition to those benefits, and, again, showing you exactly what is happening in Louisiana, where we produce more offshore oil than anywhere else in the nation, there are additional benefits. We produce up to 20 percent of domestically generated oil and gas. We have safe, stable, secure, and clean production. Since production began offshore in Louisiana, we have produced 14 billion barrels of crude oil and condensate and 135 trillion cubic feet of natural gas.

Just from the production offshore of Louisiana, it is estimated that the U.S. Treasury has received direct benefits related to rents, bonus bids, and royalty payments totaling \$150 billion, and, as many of you know, virtually no money has been returned to the state from that \$150 billion.

In addition, 320,000 jobs are sustained as a result of offshore oil and gas production. It has an annual economic impact of \$65 billion, and that is the petrochemical industry, which includes onshore, offshore, and associated industrial activity, and the direct OCS impact is \$6 billion annually.

Louisiana is a laboratory. I am not going to sit here and tell you that we have not made mistakes and that there were no adverse impacts from oil and gas production in Louisiana, but one thing is, is that we have cleaned up the industry. We have changed our coastal management practices to make them more sustainable, but, again, there have been impacts from that production, but I think that showing the maritime, showing the fisheries, showing the healthy ecosystem, it shows that it is possible to have a sustainable oil and gas activity while having a sustainable ecosystem.

In coastal Louisiana, the Corps of Engineers identified 9,300 miles of pipelines. We have some of the most intense energy infrastructure in the world, and these all represent pipelines, these lines here in the Gulf of Mexico, again, the most intense energy infrastructure in the world. In the state, we have almost 40,000 miles of pipelines related to the energy industry.

Another concern that was expressed at the previous hearing was from spills, and that is something that clearly is very important. After Hurricanes Katrina and Rita, we did experience some spills, but the majority of those spills were results of onshore activities that were not related necessarily to offshore production.

The third bullet down there identifies that an MMS study found that there were no spill contacts to the shoreline; there were no oiled-up marine mammals, birds, or other wildlife; there were no large volumes of oil on the ocean surface to be collected or cleaned up; and there were no environmental impacts from any spills from Hurricane Katrina or Rita. There were no major spills, and I want to clarify, the word “major” is a term of art defined by the Coast Guard, and it signifies, it represents, a spill in excess of 100,000 gallons. But with over 120 offshore platforms destroyed as a result of those two hurricanes, again, no major spills.

Again, we had approximately eight million gallons that were discharged or lost, the majority of that being onshore. That compares to 11 million from the VALDEZ spill. Natural seepage, as was discussed earlier, from oil and gas activity in the Gulf of Mexico represents a larger loss or discharge in the environment than anywhere, in any spill source or anything else in the United States, and there is up to an 800-percent greater chance of losing or discharging oil and gas into the atmosphere as a result of shipping rather than production. So, obviously, the closer to production the consumption of that product, the safer you are.

I know I am out of time, so I am just going to very quickly run through a couple of slides here.

This just depicts the subsidies that the Federal government is currently putting toward the various sources of energy production. You guys talked earlier about the need to use solar, use wind, and other types of alternative energy sources. Clearly, they are important, but, in looking at this, you have extraordinary subsidies that are being put toward those energy sources. It is simply not sustainable. It is not competitive, and especially when we are facing economic challenges, I think we need to continue to look at oil and gas as a source of energy.

We are continuing to import in excess of 60 percent of our oil consumed in the United States, and that includes from volatile sources, like Nigeria and Venezuela. We have extraordinary reserves that are recoverable out in the OCS today—let me blaze through—showing the significant improvements in energy efficiency. I believe that continued investment in energy efficiency should be part of a package and could be funded from additional offshore revenue generated from new production.

This shows the current projections, and it is commendable that California is attempting to achieve a 33-percent renewable portfolio, but, in many other states, it is simply unachievable, and, again, it is not economic.

I would urge that the Committee continue to look at all of the tools that are available, to not say “no” to offshore drilling. I am not going to sit here and be a knuckle dragger and tell you that you can drill your way out of the energy challenge because that is not the case, but I do think that continued expansion and development of the offshore area should play a key role in the development of future comprehensive energy policy.

[The prepared statement of Mr. Graves follows:]

Statement of Garret Graves, Director, Office of Coastal Activities, Member, Mineral Board, and Chair, Coastal Protection and Restoration Authority, State of Louisiana

Happy Mardi Gras. Mr. Chairman, Ranking Member and Committee members, thank you for the opportunity to participate in today's important hearing. I am Garret Graves, Director of the Louisiana Office of Coastal Activities, a member of the State's Mineral Board and Chair of the Louisiana Coastal Protection and Restoration Authority.

Louisiana's coastal area is often referred to as a "working coast" and is home to the world's best food, the unique Cajun culture, five of the nation's top 15 ports, the top producer of fisheries in the continental United States, the largest source of domestic oil, number two domestic provider of natural gas, the second largest percentage of oil refining capability in the country, the nation's highest capacity of Liquefied Natural Gas terminals capacity and the home of over two million people that rely upon a resilient, progressive, sustainable and productive coastal area. The Office of Coastal Activities was established to coordinate the various policies affecting activities in Louisiana's coastal area. It operates similar to the Council on Environmental Quality in that the office is designed to function across all state agencies and advocate the consensus state coastal policy.

I commend the Committee for taking on the extraordinary task of developing comprehensive national energy policy. It is a challenging effort that, while necessary, I would not wish upon anyone. Your approach to take a step back and fully evaluate all energy sources, their potential to meet energy demand in both the short and long-term, and to implement progressive, sustainable energy policy is exactly the recipe that is needed to reduce the volatility in energy prices, reduce the burden on consumers' pocketbooks, increase employment opportunities and to improve our national, economic and environmental security—as President Obama has defined in his energy goals.

Last month, the Department of the Interior's Minerals Management Service released a draft plan for offshore oil and gas development that included the potential for additional production offshore California and new oil and gas production areas on the east coast. Released by the previous Administration, the plan would go into effect following the current 2007-2012 offshore plan. The release of the draft plan was the impetus for many thoughts and discussions on a comprehensive energy policy and evoked many strongly-held opinions from communities across the country. I believe this was the intent of the proposal. Secretary Salazar's recent decision to provide for additional time to consider this draft plan was appropriate considering the significant change in policy that could result.

In reviewing the Committee's previous outer Continental Shelf hearing on February 11, and the response of a number of coastal states regarding the anticipated impact of the draft 2010-2015 plan, I believe it important to share and hope that the Committee considers the experiences of Louisiana related to offshore energy development.

Offshore Louisiana has provided approximately 85 percent of the outer Continental Shelf (OCS) oil and an estimated 81 percent of OCS natural gas. This translates to over 14 billion barrels of crude oil and condensate and 135 trillion cubic feet of natural gas produced offshore our state. As you can see, we have had more offshore production of oil and gas than any other area of the nation. Rather than rely upon beliefs or feelings, I hope that some of our actual experiences will weigh heavy during this Committee's deliberations.

There are many experts that have predicted the collapse of tourism, fishing, maritime and other coastal activities with the introduction of offshore production. The facts in Louisiana prove otherwise:

Tourism

- New Orleans is one of the top national and world tourist destinations.
- Before Hurricane Katrina tourists to New Orleans alone had over 10 million visitors per year.
- Tourism, including this week's Mardi Gras celebration, in the New Orleans area provides a \$5 billion economic impact annually.
- Replacing the revenue from tourist visits to New Orleans would require imposing a tax of \$3000 per family statewide.
- The State of Louisiana had over 24 million tourists visits last year.
- Tourism is one of the largest economic sectors in the state and generates an estimated \$10 billion annually.

Oil Spills

- According to the Minerals Management Service, since 1980 over 4.7 billion barrels of oil have been produced and less than one-thousandth of one percent of that has spilled.
- The MMS also found that there has not been a spill greater than 1000 barrels in the last 15 years from an offshore platform.
- An MMS study determined that Hurricanes Katrina and Rita:
 - no spill contacts to the shoreline
 - no oiling of marine mammals, birds, or other wildlife
 - no large volumes of oil on the ocean surface to be collected or cleaned up
 - no identified environmental impacts from any OCS spills from Hurricanes Katrina or Rita
 - no major spills

Fisheries

- Louisiana is the top producer of seafood in the continental United States.
 - The state produces more oysters, crabs, crawfish than any other
 - More shrimp is harvested offshore Louisiana than any other state (pre-Katrina)
- Louisiana is a top recreational fishing destination
- In 2006, an estimated 1.2 million recreational anglers tested their saltwater fishing skills in Louisiana's coastal waters
- Numerous national and world fishing records have been set in Louisiana's coastal area.
- According to the National Oceanographic and Atmospheric Administration, Louisiana has the fourth best recreational fishing industry in the nation (measured by economic impact).
- There is an estimated \$3 billion annual economic impact from recreational saltwater fishing in Louisiana.
- Tens of thousands of jobs in our state are dependent upon the recreational fishing industry.
- The commercial fishing sector generates over \$2 billion in sales annually and supports an additional 50,000 jobs.

Maritime

- Five of the nation's top ports are located in Louisiana's coastal area.
- Louisiana is home to the top tonnage port in the hemisphere and the largest port complex in the world.
- Over 30 states rely upon Louisiana's port system for maritime commerce.

I would like to reemphasize that these are realized not projected statistics.

While Louisianians have benefited by the extraordinary economic activity associated with Louisiana's tourism, fisheries and our maritime industries, the nation has been the true beneficiary of our hosting federal oil and gas activities:

Energy

- An estimated 17-20 percent of domestically-produced oil and gas comes from Louisiana.
- 30 percent of the nation's crude oil supply and 34 percent of the natural gas consumed in the U.S. is either produced in Louisiana, in the Louisiana OCS or requires Louisiana's energy infrastructure for passage to market.

Fiscal Impact to U.S. Treasury

- In addition to indirect benefits to the economy and revenues generated by income taxes, OCS energy production provides one of the largest non-tax revenue streams to the U.S. Treasury.
- In recent years, direct OCS revenues to the federal treasury were estimated to approach \$10-12 billion annually.

Jobs

- A study performed for the Mid-Continent Oil and Gas Association determined that the energy industry (includes onshore and offshore production) has a \$65 billion annual economic impact on the state.
- OCS production has an economic impact of nearly \$6 billion annually and supports over 320,000 jobs in the state.

I recognize that many believe that increasing oil and gas production will prolong America's dependence upon fossil fuels and threaten the health of the environment. The State of Louisiana commends the Committee for its continued focus on promoting diverse alternative energy sources to meet our nation's growing energy demands. We believe that wise investments of the nation's resources include efforts

to improve the competitiveness and efficiency of wind, solar, geothermal, hydropower, nuclear, wave, tidal, biomass and many other energy sources. For countless reasons, it is an appropriate and laudable long-term goal to power our homes, cars, businesses and industrial activities with alternative sources of energy. Unfortunately, cost competitiveness issues and a lack of appropriate infrastructure prevent access to many alternative energy technologies for most Americans. With the current state of the economy, Congress should be very sensitive to any policies that would increase financial pressure in the form of higher utility and fuel costs on our already-struggling families.

As we all know, it would be impossible to simply flip a switch to fulfill all energy demands with alternative sources overnight. It is difficult to predict any scenario whereby conventional fuels will not continue to play a major role in powering our economy as part of a near-term or transitional energy strategy. This near-term strategy may take 15 years or it may take much longer, but significant thought must be given to how and where our conventional fuel demands will be met.

The United State is currently importing nearly 60 percent of the oil we consume. This is up from 24 percent in 1970. In addition to increasing our trade debt, current supplies of oil are being met by increasingly volatile or threatening countries. The top five exporters of oil to the United States include the unstable regulatory environments of Venezuela and Nigeria. In addition, many of environmental standards related to oil production fail to compare to the stringent standards in the United States. It is often said that we should not expand OCS production in the United States because it would take up to ten years to get new production areas online. While we could quarrel over the timing of bringing production online, it is counter-productive to the larger issues before the Committee. We should focus on a comprehensive vision that plans for our long-term goals while providing for our immediate and transitional needs.

I urge the Committee to keep in mind that oil imports have steadily increased since the 1970s and are projected to continue to increase for the next several years. The United States has one of the most stable regulatory climates in the world and we maintain some of the most stringent environmental standards. For those of us concerned about the environment, I would assume that this concern expands beyond the borders of the United States—the global environment. Would it not make more sense to meet our near-term demands for conventional fuels by expanding domestic production areas? If properly implemented, this will increase employment opportunities, reduce our trade deficit, prevent the transfer of billions of dollars per month to foreign governments and increase our energy security.

Earlier this month, Secretary Salazar said, “We need a new, comprehensive energy plan that takes us to the new energy frontier and secures our energy independence”. President Obama established a goal of eliminating our dependence on Middle Eastern oil within 10 years. While it would be premature to endorse the proposed 2010-2015 OCS plan, a responsible expansion of domestic production areas combined with increased energy efficiency, conservation and strategic investments in expanding alternative energy production and development are fundamental components of any solution. Oil and natural gas prices will increase again. We cannot drill ourselves out of our energy demand, but we can take responsible steps to transition ourselves onto a path of true energy independence.

To summarize my initial recommendations to achieve the President’s energy goals:

1. Recognize that any near-term or transitional comprehensive energy strategy will continue to rely upon conventional fuels (including natural gas) beyond that which are currently produced domestically;
2. Expand efforts to improve energy efficiency and the conservation of energy resources;
3. Supplement the tens of billions of dollars previously-invested in alternative energy research, development and incentives to improve the competitiveness and infrastructure associated with alternative energy sources (including nuclear and hydropower);
4. Make strategic investments in improving the efficiency of conventional fuels;
5. Recognizing the stringent environmental standards in the United States, determine where significant reserves of accessible hydrocarbons can be safely produced domestically;
6. Ensure that investments in this transitional strategy will complement longer-term efforts to achieve energy independence and improve our energy security by meeting our energy demands with clean, safe, stable domestically-produced energy; and
7. Energy revenues should be shared with host states as outlined below.

Our experiences in Louisiana demonstrate the ability to allow for the coexistence of multiple uses of coastal areas; however, I do not want to suggest that OCS activities are without impact or cost to states.

As the nation's top energy source and the "guinea pig" for many early oil and gas production practices, Louisiana has experienced adverse impacts from energy production. These cumulative impacts from decades of production include:

- Stress upon our landside infrastructure to support offshore activities.
- The loss of coastal wetlands as a result of early practices related to accessing hydrocarbons in the coastal area.
- The intrusion of saltwater into freshwater ecosystems.

Congress should accompany any new expansion or increase in domestic oil and gas production with a program to allow for the sharing of energy revenues. While Congress did provide for the limited sharing of offshore production revenues in the Gulf of Mexico Energy Security Act, pursuant to the act revenue sharing begins in 2017. This program is too far in the future to address the current needs in coastal states like Louisiana and would prevent proactive steps to be taken by states initiating offshore production.

Rather than reinventing the wheel, Congress should simply model any energy revenue sharing program after that which has been used for onshore production areas on federal land since 1920—the Mineral Leasing Act (MLA). Under this law, 50 percent of energy revenues from production of resources on federal lands are shared with states that host such production. In the case of the MLA, there are no strings attached to the use of these shared revenues. In recent years, the states of New Mexico and Wyoming have shared \$1 billion annually from this program.

In addition to the 50 percent going directly to states that host onshore energy production, an additional 40 percent goes into the Reclamation Fund to carry out water projects in these same states. In effect, 90 percent of the energy revenues from production on federal lands are returned to states while only 10 percent goes to the U.S. Treasury. In the case of offshore production today, virtually all revenues generated from production in the OCS goes to the Treasury. Quite simply, the disparity between onshore production and offshore production revenue sharing is illogical and contrary to the nation's best interests.

In the case of Louisiana, our citizens adopted a Constitutional amendment by an overwhelming margin that dedicates any OCS revenue sharing to a coastal trust fund to be used for coastal restoration and hurricane protection.

Louisiana has lost up to 35 square miles of coastal lands and wetlands per year in recent years. Since the 1930s, we have lost over 2300 square miles. In 2005, the state lost over 200 square miles of land in just two days. Hurricanes Katrina and Rita had an extraordinary impact on our coastal ecosystem that exacerbated land loss. This may seem like a parochial issue or "Louisiana's problem" to many of you. I would like to help you to understand why this is actually the nation's challenge.

Following the 2005 hurricanes every consumer in America was paying an average of 75 cents to one dollar a gallon in higher fuel prices. This was a result of the energy infrastructure damage in our state. A recent study found that if just one of Louisiana's energy ports were shutdown for three weeks, the loss in revenues to U.S. firms would exceed \$10 billion.

In addition, responding to the 2005 hurricanes Congress has appropriated funds or established programs totaling nearly \$150 billion—the key word here is "responding". Had revenue sharing provisions been in place, I estimate that nearly 80 percent of the 1800 lives that were lost and 80 percent of the funds appropriated by Congress could have been saved. Further, the fuel price spikes experienced by consumers nationwide would have been averted. Under the Louisiana Constitution, the state would have utilized its revenue sharing funds for measures to protect, restore and improve the resiliency of coastal Louisiana.

Finally, we urge that Congress establish parity on state seaward boundaries. Currently, the states of Texas and Florida enjoy a state seaward boundary of three marine leagues, or roughly nine miles. Louisiana, Mississippi and Alabama have a seaward boundary of only three miles. The disparity dates back to when states were admitted to the union and its basis is simply irrelevant to sustainable coastal management. Providing consistent or expanded state boundaries would allow states to exert greater control over those areas which affect onshore and near shore activities. It will reduce conflicts related to coastal consistency determinations and result in improve management of coastal resources.

Recommendations related to the expansion of offshore development:

1. Identify those areas with significant recoverable hydrocarbon reserves;
2. Evaluate the impact of the recovery of reserves with states;

3. Weighing state interests, consistency with ongoing coastal uses, energy independence goals and national security determine which new production areas should be developed;
4. Establish an offshore revenue sharing program comparable to that under the Mineral Leasing Act for onshore energy production;
5. Energy revenue sharing should have a historical component recognizing and addressing needs related to historical and cumulative impacts of multi-decadal production;
6. Revenue sharing should provide sufficient resources to allow for proactive efforts to prevent adverse impacts from offshore development;
7. A portion of offshore energy revenues should be dedicated to the development of onshore and offshore alternative energy resources; and
8. As recommended by the Oceans Commission, an ocean and coastal trust fund should be established to address coastal and near-shore management efforts of all coastal states and territories.

I appreciate this opportunity to share experiences from Louisiana's long offshore development history and look forward to your questions.

Mr. ABERCROMBIE. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. ABERCROMBIE. Before we go to the questions, could Mr. Graves make available to us a document which incorporates his slides and commentary because I think your well-crafted commentary here is very good, that we have here, but it does not contain the slides?

Mr. GRAVES. Sure.

Mr. ABERCROMBIE. And I think it would be very valuable if we could have them. I learned a lot from them. I am a big fan of what you are doing down in Louisiana. I have seen it myself, when the speaker, the then-majority leader, took us down there in connection with Katrina. This is very, very valuable information for us to have as to with regard to a practical implementation of what we would like to do here. Could we do that?

The CHAIRMAN. Mr. Graves, if you could do that, by unanimous consent, we will allow you to submit that at another time, a later time, for the record of today's hearing.

Mr. GRAVES. Yes, sir.

The CHAIRMAN. And also, I would like to ask unanimous consent that a letter from Governor Tim Kaine, from the Commonwealth of Virginia, requesting that the letter he sent to Secretary Salazar, on February 19, 2009, be made a part of today's hearing record as well.

[The letters from Governor Kaine submitted for the record follow:]



COMMONWEALTH OF VIRGINIA
Office of the Governor

Timothy M. Kaine
Governor

February 23, 2009

The Honorable Nick J. Rahall II
Chairman
House Committee on Natural Resources
1324 Longworth House Office Building
Washington, DC 20515

Dear Chairman Rahall:

Please find enclosed a letter that I sent to Secretary Ken Salazar on February 19, 2009, requesting that the Department of Interior postpone the Outer Continental Shelf (OCS) Lease Sale 220 that is proposed for Virginia's coast. I applaud the Committee's interest in hearing the differing perspectives on offshore drilling and request that my letter to Secretary Salazar be included in the hearing's official record.

Sincerely,

A handwritten signature in black ink, appearing to read "TKaine".

Timothy M. Kaine

§ 67-300. Offshore natural gas and wind resources.

A. In recognition of the need for energy independence, it shall be the policy of the Commonwealth to support federal efforts to determine the extent of natural gas resources 50 miles or more off the Atlantic shoreline, including appropriate federal funding for such an investigation. The policy of the Commonwealth shall further support the inclusion of the Atlantic Planning Areas in the Minerals Management Service's draft environmental impact statement with respect to natural gas exploration 50 miles or more off the Atlantic shoreline. Nothing in this Act shall be construed as a policy statement on the executive or Congressional moratoria on production and development of natural gas off the Atlantic shoreline.

B. It shall be the policy of the Commonwealth to support federal efforts to examine the feasibility of offshore wind energy being utilized in an environmentally responsible fashion.

(2006, c. 939.)



COMMONWEALTH of VIRGINIA

Office of the Governor

Timothy M. Kaine
Governor

February 19, 2009

The Honorable Ken Salazar
Secretary of the Interior
Department of the Interior
1849 C Street, N.W.
Washington DC 20240

Dear Secretary Salazar:

I am writing to ask that you postpone the Outer Continental Shelf (OCS) Special Lease Sale 220 that is proposed for Virginia's coast. This Lease Sale is the only one currently proposed anywhere along the Atlantic seaboard.

Virginia's offshore energy policies as enacted in state law (Code of Virginia, Chapter 3 of Title 67) support federal efforts to determine the extent of natural gas resources 50 miles or more off the Atlantic shoreline, including appropriate federal funding for such an investigation. Our policies do not support exploration for oil or production of gas or oil, which would be allowed under Lease Sale 220.

I applaud your decision to extend the public comment period for the proposed 5-Year Program for oil and gas development on the OCS by 180 days. As I understand it, that 5-year plan includes 3 areas off the Atlantic Coast. I have consistently called for the Minerals Management Service (MMS) to consider the Atlantic coast as a whole, rather than singling out a particular state for a lease sale.

I believe that no lease sale should be conducted in the Atlantic until the process that you have outlined for the 5-Year Program is complete. During that time, I look forward to Virginia being able to continue a dialogue with the MMS as we address the challenging issues related to production of offshore energy resources. Thank you for your consideration of this request.

Sincerely,


Timothy M. Kaine

The CHAIRMAN. Gentlemen, thank you for your testimony. I would like to ask a question, I guess, to the entire panel.

In recent days, of course, we have seen some activity and statements made here in Washington by some Governors of our states that they will not accept parts of the stimulus package, in particular, your Governor, Mr. Graves. And, by the way, Mr. Graves, we welcome you back to Capitol Hill. I understand you used to be on the staff of our former colleague and dear friend, Billy Tauzin, so we welcome you back.

Anyway, your Governor, among some others, has said that—

Mr. ABERCROMBIE. Mr. Chairman, excuse me. Could Mr. Graves give us the information despite the fact that he worked for Billy Tauzin?

The CHAIRMAN. Governor Jindal, in particular, has said that he will not accept parts of the stimulus package. He may accept some programs but not others, and some of the Governors are reserving the right not to be told by the Feds what to do.

This is yet another example of the states wanting it their way. We have so often heard states saying they resent Federal mandates and Federal intrusions, et cetera, et cetera. We have this problem when it comes to OCS oil and gas drilling. We have the same problem. Some states fully support unlimited offshore drilling, some states support it with qualifications: drilling for natural gas only, drilling only if they ran the program, drilling if they get their half of the revenues, and on ad infinitum.

However, these are Federal waters. These are Federal oil and gas resources, and we are a nation comprised of a union of states. These are lands that belong to all of our American people. The fact of the matter is that the states do not exist in a vacuum. We all have neighbors who may or may not support what your state wants to do on offshore oil and gas leasing.

So, my generic question is, how do we address this situation? How do we reconcile the problem? Senator?

Mr. WAGNER. Mr. Chairman, you make the statement, and, certainly, you have heard a lot of testimony that there will be some impact to those states where the activity occurs. I know you have entertained some revenue sharing in some of the most recent parcels that you have put out, but while we recognize that that is Federal land, we also recognize that that is Federal land in Wyoming, Federal land in Colorado.

That is Federal land, yet the revenue sharing contemplated for those states with activity off their shore is far less than the current revenue sharing ongoing from that Federal property that is collectively owned by all of us around the nation, yet the revenue share back to these states is a much greater percentage, off the top of my head. I am sure someone on the Committee knows.

Under that same concept, we would look to see that those lands adjacent to our state, from three miles out to the end of 200 miles, get that same consideration. In fact, I know of one plan recognizing that border states may also have consequential impacts if the revenue sharing spreads even up, you know, north and south, in the case of the Eastern Seaboard, with other states so that all states where the activity is constructing off their shore would probably enjoy some of those benefits also.

Clearly, I think you have heard a lot of statements today about—we all understand it is about money, who knows best how to spend that money, and we happen to feel that, in Virginia, that we had part of the bill—it is not currently part of it, but 40 percent would go to our efforts to clean up the Chesapeake Bay, 40 percent would go to transportation, statewide, so some of you folks can get back and forth, if you live in Virginia, a little easier than you can right now; 10 percent for energy tax credits to encourage conservation, and 10 percent to help fund research and development as matching money to use for Federal efforts.

Those were our thoughts in Virginia with regards to the stimulus package. We were facing a \$4 billion deficit. This will help plug that hole significantly for this year. What we are already talking about right now in Virginia is the “cliff effect,” that we are seeing significant revenue drop off. January was a shocker for us—we did not get the results until three weeks in—some 15-some percent in income tax collections.

It very much concerns us, if this trend continues. We see that, while it is a one-time, in the absence of that, that the cliff could become much larger next year when we go back to contemplate our biannual budget next year.

So, that is our concern now. We have kind of escaped for the next 10 or 11 months, but it is not escaping us unless we see a significant economic turnaround, that we are going to be facing a very, very large cliff and a very large funding hole next year that, quite frankly, will be very, very difficult to patch up.

Mr. CHRISMAN. Mr. Chairman, if I might, from California’s perspective, our Governor has said we are going to take the Federal stimulus dollars to California because we see the dollars, we think, being well spent, in terms of the partnership programs and our transportation infrastructure across the state in many other areas that we think are important.

You asked specifically about in the context of OCS offshore drilling in Federal waters. What do we do next? How do we get through this conversation, this debate, that you have obviously had in Congress for a number of years and are obviously trying to tee up again, from a policy conversation?

I would suggest you do exactly what you are doing and continue to do exactly what you are doing, and what the Obama administration is proposing to do, in terms of a national conversation and debate around a coherent, short-, medium-, and long-term energy policy for this nation that recognizes that we have conservation as an integral part of it, smart metering. You have heard a lot of the conversation today, really good ideas put forward today. They need to be a part of this continued conversation and debate, getting us, the states, involved in it as we move through this process because we all have a stake in it.

In California, as you have heard, we have experienced a lot of this. Back in the mid-to-late seventies, as a result of the energy crisis, we decided, as a state, we were going to get more energy efficient. You heard the results of that today.

We did it through appliance standards, water-reuse opportunities, and other activities that have essentially created some real good opportunities for us in California, in terms of our electricity

use. But, at the end of the day, in California, there are 38 million people. We have a growing population across this nation. We have all got to be a part of this growing debate, and what you have teed up here, I think, is the right approach.

The CHAIRMAN. Does anybody else wish to address the question? Yes?

Mr. GRAVES. Mr. Chairman, I think you addressed that question to me, to some degree, so I feel like I need to answer it. I just want to clarify, the Governor did express concern about the unemployment benefits and the strings that were attached to those funds. I need to be very careful with I say, or I will be applying for them.

I believe that the Governor's concern in this case was that the program established an unsustainable benefit program, whereby, after two to three years, when the Federal funds were no longer available, the state would be unable to sustain that level of benefit, and that was the concern that the Governor had, but we are continuing to evaluate all of the stimulus revenue streams, and we will continue to make determination on whether or not we would access those based upon the conditions associated with the funding.

In regard to your second question on how to, I guess, strike that balance of the Federal resource, yet the impact perhaps upon the state, Mr. Chairman, I think that a sweet spot can be found in this case.

For example, the State of Virginia is willing to produce, they have expressed an interest to produce—I know that Senator Warner pushed legislation in the Senate recently, last Congress, to try and open up some of the OCS areas offshore of Virginia. Associated with that, providing for revenue sharing, like is done under the Mineral Leasing Act since 1920, where the States of Wyoming and New Mexico receive in excess of a billion dollars a year, with no strings attached on those monies.

So, again, there are impacts, but I think providing funds and sharing those revenues with the states, like is done for production on Federal lands onshore, you can address those impacts, and you can have healthy, sustainable, offshore energy production areas in the United States.

The CHAIRMAN. OK. My time has expired, but I will ask a follow-up question on my second round. I now recognize the Ranking Member, Mr. Hastings.

Mr. HASTINGS. Thank you very much, Mr. Chairman, and thank all of you for your very enlightening testimony.

Mr. Chrisman, I would like to ask you a couple of questions. In your written testimony, you stated, and I want to quote you directly on your written statement, you “want to dispel that myth that California only consumes oil and gas and does not produce it.”

However, according to “ca.gov,” which is, obviously, a government organization, California only produces about 37 percent of the petroleum that it uses and only produces a little over 13 percent of the natural gas that it uses. This is according to “ca.gov.”

Don't you think that a reasonable person would suggest that you could use the OCS resources, and it is estimated, by the way, to be about 10 million barrels of oil and about 16 trillion cubic feet of natural gas, to reduce its dependence on out-of-state energy?

And that is especially so since and overwhelming amount of your gas goes to producing electricity.

Mr. CHRISMAN. It is a debate we continue to have. We have, in California, recognized that the trade-offs, as I said in my prepared comments to you and my comments here today, for offshore oil and gas development, for us, are not, at least at this stage of the game, are not worth the risk.

We have opted to go the energy-efficiency route, to go the alternative route in all that we are doing in California.

Mr. HASTINGS. But you are not dispelling the myth, then, are you?

Mr. CHRISMAN. No, of course, not.

Mr. HASTINGS. But you said that in your statement. I just wanted to make that point.

So, in a way, you are correcting that you are not dispelling the myth that you do not produce oil and gas.

Mr. CHRISMAN. The myth that we are talking about is that we do not produce any. We do some.

Mr. HASTINGS. Right.

Mr. CHRISMAN. I am not going to quibble with the numbers that you presented. I am sure they are correct, but, at the end of the day, as we look at the long-term growth of California, clearly, the alternatives that we are talking about—the transportation fuel, the low-carbon standards that we have put in place in our transportation fuels and others—we think, is the right approach.

Will we continue to have the debate about the need to access that energy in the Outer Continental Shelf? Yes, we will. We will continue to have that, but, at this stage of the game, we are where we are and continue to be very strongly in that position.

Mr. HASTINGS. You also stated in your testimony about what California has done, and you alluded to it just a moment ago, about your renewable. While I am sitting here listening to this testimony, there is an article that showed up in one of my large papers in my district, the Yakima Herald-Republic, and it reports that wind power from a wind farm in my district is being sold, lock, stock, and barrel, to Southern California Edison. It is a wind farm that produces enough electricity for 100,000 homes, which, by my math, equates to a city of about 400,000 to 500,000 people, which is a substantial part.

I have to tell you that when I hear testimony from a state that does not want to utilize the resources it has and would rather by resources from my state on energy production, I find that sort of attitude somewhat disturbing, and I say that because wind turbines—listen, I am all in favor of alternative energy, but when a state puts in standards, like you do, and now you are going to import enough electricity from just only one company to electrify a city of up to 500,000 people, I find that disturbing. Any response to that?

Mr. CHRISMAN. I mean, we are contributing to the economy of your state by doing that, and, at the end of the day, we are all on a west-wide grid in the United States. We all share power. We all depend on hydropower certain times of the year from Washington, from the Bonneville Power Project. At certain times of the year

when hydro is at a peak, we will ship a lot of the hydro north to other parts of the western grid.

Mr. HASTINGS. Let me ask this question, then, in this regard, because you have a standard of so much renewable that has to be—our state does the same thing.

Mr. CHRISMAN. Right.

Mr. HASTINGS. So, what is the response to my constituents, where we build these wind farms in my district and ship it to California? When you testify here, you say, “Well, it may help our economy,” but you do not want to help yourself by going offshore.

Mr. CHRISMAN. But we help ourselves by building our own wind farms, by having 21 percent of the nation’s available solar power that we are using for our own folks. That is exactly what we are doing.

Mr. HASTINGS. According to Mr. Rohrabacher, there are some problems getting that decided because of lawsuits.

Mr. CHRISMAN. Well, we are in the midst of making that happen. We are working on that right now, expanding upon that 21 percent available solar nationally. That is what our figures are. We are expanding them now.

Are there challenges? Of course, there are challenges. We are working in partnership with the Bureau of Land Management out in the desert region to put these solar farms in place and, at the same time, get the environmental permits necessary not only to site them but to get the transmission lines in place to get them—

Mr. HASTINGS. One last question. I appreciate the indulgence, Mr. Chairman.

Can you meet, within your own state, the standards that you put in place of renewable energy?

Mr. CHRISMAN. We are convinced we can. We are just over 20 percent right now—

Mr. HASTINGS. OK.

Mr. CHRISMAN.—and we are setting at 33 by 2020. We are convinced we can. We will probably exceed that.

Mr. HASTINGS. One last question to Senator Wagner. The Chairman put into the record a letter from Governor Kaine. Are you familiar with that letter?

Mr. WAGNER. Yes, Mr. Chairman and Congressman Hastings. It was delivered to me while I was sitting in the Committee yesterday by the Deputy Secretary of natural resources, so the first I saw it was at about 2:00 yesterday.

Mr. HASTINGS. What does it say, essentially?

Mr. WAGNER. The letter basically says that he supports Secretary Salazar’s position to extend the delay, that since the existing regulations do not provide for natural gas only and do not provide for exploration only, that his position is that Virginia does not want to be in the program because of what has gone on. So, he supports the delay, and he asks for additional study and that type of thing, as near as I can recall.

Mr. HASTINGS. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you. The gentlelady from New Hampshire, Ms. Carol Shea-Porter.

Ms. SHEA-PORTER. Thank you, Mr. Chairman. I am sorry that I arrived a little late, but if you do not mind, I am going to say I

will brag about the person who is sitting here from New Hampshire. I am very happy to see you here today, Ted. Ted is the manager of the New Hampshire Coastal program, which is really critical for conservationists, and your wisdom and your experience contribute a lot, and we thank you for your work.

I will start out by asking you some questions. In your testimony, you had talked about, and I am going to quote you exactly, "multiple uses must be considered with long-term productivity of these resources."

Can we do that? Can we really have long-term productivity if we have multiple uses of the oceans?

You also talked about putting money into these programs. Will money fix these problems, or are these issues really the tension between the multiple use of a critical resource, for example, the fisheries, versus oil? Do they have to be in an adversarial position there? How do you think we would be able to solve that?

Mr. DIERS. Thank you very much for having me here also. Usually, I am the only person from New Hampshire in the room in Washington, so it is great that there are two of us.

Ms. SHEA-PORTER. That is the whole state now. We are here.

Mr. DIERS. I think that the issue is, to some extent, we do not know because we have never really tried, and I think that that is one of the issues that was being raised by Mr. Farr this morning, and I think it has been raised by a number of the questions that have come up today, is that I do not know that we have ever given it the full college try, in doing some very large-scale, Federal-state-partnership kind of planning that would happen on a regional basis in which the states and the feds go together as full partners and have a great, scientific assessment of our resources, and what are the impacts of those. We can barely count the fish.

I think it is really challenging that we need to put resources toward that kind of examination, and I think that that is what the states have largely been saying, is that, before we charge ahead in some direction, that we need to make sure that we have looked at these issues, and especially as it relates to, we do not want to preclude some sort of renewable energy source as we are developing some traditional energy source and then trying to protect some of the resources that, I think, Dr. Marvinney talked about in the Gulf of Maine, for instance.

That all needs to come together in a rational and comprehensive energy policy, and so I think that that is really what we are talking about and what the states have been trying to put across.

Ms. SHEA-PORTER. It is sort of like jumping off of a building, and they keep telling you there is a net there, but you are not entirely certain because we have not done enough research to know, at this point. We have not put enough money into these programs to really study the impact.

Mr. DIERS. I think that the two Ocean Commission reports that came out made that very, very clear, that we have not, and I think the Chairman, in his comments last week, also said that we are not putting enough money into oceans, or the money that was coming in is going everywhere but oceans.

These are serious, serious issues that we have not fully addressed, and I think that we are just now at the cusp of having the

kinds of technologies and the kinds of analytical tools that we can use to be able to do this. We are at the point where we finally, I think, can start to do this, but it is going to require some significant resources and some significant critical will to make that happen.

Ms. SHEA-PORTER. I think they have to get it right when more than half of the world depends on the oceans for essential protein. If we make a mistake, and we cannot pull back from it, we are going to create a problem that is larger than any of us could ever imagine. I appreciate your warning that we have to really take a good, hard look at this.

Dr. Marvinney, I wanted to ask you—you talked about the cost of development versus the return, and you were citing Georges Bank. Can you talk a little bit about why Georges Bank is so critical, tied in with the issues that we just brought up?

Mr. MARVINNEY. Well, it is a hugely valuable fishery for the State of Maine and for the rest of New England, the other New England states, and, I am sure, New Hampshire as well, and I do not have numbers on what that economic value is, but it is a big reason why our coastal seaports are what they are today. It has been driven by that fishery and the economics that go with the fishery, and certainly there have been a lot of issues with these fisheries over the years, with overfishing, et cetera, and we are collectively trying to work on that.

I think that the comments of Mr. Diers on working together, states and the Federal agencies, is a primary way to go because there are so many overlapping issues here, in terms of these resources, we need to be sure that one activity is not going to harm another activity that is already in place.

Ms. SHEA-PORTER. Thank you.

Mr. Graves, not to pick on you at all here, but I, too, was down in Louisiana during Katrina, and I read the papers every day, and the picture that you portrayed up there was quite different from what they were talking about in the papers, and I also had lived in Louisiana before, and I know that a lot of the land was degraded, and it was not necessarily the offshore drilling but the refineries and everything tied in with it. So, it adds to the sense of urgency that we need to really fully invest in our renewables so that we are not trapped like that.

But I want to have you talk a moment, if you would, please, about all of the reasons that they thought that New Orleans suffered so greatly, for example, the loss of the land, the acres of the wetlands, and the fact that they built that channel in and how that allowed the surge for the water.

I love your state. I have lived there, and I urge everybody to go and be a tourist there. It is a great place, but there is a problem, and there has been a problem for a long time. I know that the source of the water was the Mississippi when I lived there, and they would have problems and tell people, "You might have to worry about your drinking water today until they clean it out."

So, could you address what you realistically see as some of the problems with having oil and gas? I would like to say, up front, that I support drilling. I know that we need to do this right now. What I am trying to do here is say there are some problems and

that if we invested in renewables right now with the same sense of urgency that we have faced other problems in our history, that we would be able to switch over, at some point.

Mr. GRAVES. Congresswoman, thank you for the opportunity to respond. I appreciate you going to Louisiana just after Katrina had happened.

Ms. SHEA-PORTER. It is a great state.

Mr. GRAVES. Since the early 1930s, the State of Louisiana has lost in excess of 2,300 square miles of land, the greatest land loss in the nation, by far. If we were the State of Rhode Island, we would no longer exist. If we were the State of Delaware, nearly three-quarters of the state would be gone.

The primary cause of that land loss is not related to oil and gas production. I want to be clear. The early oil and gas production, in my opinion, was done in a manner that was not sustainable, but the major cause of land loss in Louisiana was the channelization of the rivers—the Mississippi River and the Atchafalaya River—that began in the 1800s and continued after the Great Flood of 1927.

It did achieve its goal of reducing flood losses in those areas, but it had an adverse impact of cutting off the sediment. The reason I showed a satellite depiction of the changes in North America landscape over 60 million years was to show that, was to show that the river caused the accretion of land. It was a delta-building process. Whenever the river was channelized, you cut off that sediment material from continuing to build the delta, and it now goes into the deep part of the OCS, where it has no beneficial use whatsoever. So, again, that is the primary cause.

To be clear, going back to the 1940s and the 1950s and even 1960s, there were access channels that were cut into our coastal area to get to hydrocarbons and produce those hydrocarbons. We now know that that also caused the intrusion of saltwater into freshwater estuaries, and that did have an adverse impact on the ecosystem.

The channel you referred to is known as the “Mississippi River Gulf Outlet,” and, as you know, that channel was a man-made channel. It was not cut for oil and gas development; it was cut for maritime purposes to provide an alternative to the Mississippi River.

You will be happy to know that, two months ago, I signed an agreement to close that channel, and construction is underway to close that channel.

So, again, just to be clear, there are adverse impacts. I think, if the Mississippi River and the Atchafalaya River had not been channelized, I think that the sediment from the river likely would have refilled those cuts into our coastal area that caused the intrusion of saltwater.

Last, if I could just respond to your water-quality issue, and I am glad you brought that up as well, in Louisiana, we do have water-quality problems, and the majority of those are actually represented or recognized in the Gulf of Mexico, where we had the largest dead zone, each spring, in the nation, and it grows to around 10,000 square miles, an oxygen-depleted zone that is virtually devoid of marine life.

But the important thing to know, in this case, is that the nutrients—the nitrogen and the phosphates and other chemicals—that cause that dead zone are not as a result of discharge from Louisiana. We drain 32 percent of the contiguous land mass of North America and two-thirds of the United States, and the runoff from the Midwest, the runoff from the rest of the nation, is what caused our dead zone, and you can see, where we are with a 10,000-square-mile dead zone and the largest producer of fisheries in the continental U.S.—no relationship to the oil and gas industry.

The last point, if you do not mind, is that you talked about the structures, and you talked about the habitat in the coastal area. In Louisiana, I can tell you, from personal experience, that the structure that is established by oil and gas infrastructure is where the fish are. That is where you catch fish. So, there is a win-win situation there.

Ms. SHEA-PORTER. OK. Thank you. I was thinking about this town, but I could not remember the name of it, but I know this is going to be familiar to you now, the Murphy oil spill. You know what happened there. I was there at the time, and we know that there was that terrible spill and that it ruined the community. I remember the heart-breaking stories there.

Now, the point I am making again: I appreciate the fact that Louisiana is willing to be a center for gas and oil drilling, and, by the way, that water spill that I was referring to was not from the Midwest, but we will let that go; it was right from Louisiana.

But the problem here is that anytime we do this kind of drilling, there is going to be some risk, whether it is in the offshore or whether it is the refineries or wherever. There is going to be some environmental pain there, and I appreciate the fact, again, that Louisiana absorbs so much of it, and I know that we need the gas and the oil. This is not to say that we can stop today; we cannot.

But would you talk for a moment about what happened to the people of St. Bernard Parish and how you think that could have been avoided and still be heavily into this business, and what you see, in terms of the future, and do you have a basic belief in our ability to use renewables and eventually phase out some of this?

The CHAIRMAN. Before the gentleman can answer, we have five votes. I do want to allow a response, but just as a way of house-keeping here, we have five votes on the Floor of the House, at the current time, and that is going to take, I would estimate, an hour.

Would the panel be able to return, if we recess for one hour? Would the panel be able to return in one hour, for a half an hour? That should wrap it up.

We do have three or four Members left to question. We should be able to wrap it up in a half-hour once we return in an hour. So, if you can hold that response, Mr. Graves, until we return in one hour.

Mr. ABERCROMBIE. Mr. Chairman?

The CHAIRMAN. Yes, Mr. Abercrombie.

Mr. ABERCROMBIE. Before Mr. Marvinney leaves, Doctor, could you please let Governor Baldacci know that he still owes me spaghetti sauce that his mother makes that he said he was going to get to me, and I have yet to see it?

The CHAIRMAN. And me, too.

Mr. MARVINNEY. I will be sure to pass that on. Thank you.

The CHAIRMAN. The Committee will stand in recess for one hour. [Whereupon, at 1:36 p.m., a recess was taken.]

The CHAIRMAN. The Committee on Natural Resources will resume sitting, and the next gentleman to be recognized is the gentleman from Virginia, Mr. Wittman.

Mr. WITTMAN. Thank you, Mr. Chairman. I want to thank the panel members for your participation today. I appreciate your patience. I know today was a long affair, so we appreciate your patience there.

I want to especially thank Senator Wagner for coming here. I especially appreciate your hard work there in Virginia on crafting an energy policy there that now stands as the state's energy policy today, so we appreciate that.

In order to follow up on that, you spoke, a little bit earlier, about Virginia's energy policy and about how the current policy supports just natural gas exploration in the OCS, and I wanted to ask you if you think that that is a practical position, from a public policy standpoint, and whether that really lends itself to wise policy for the development of our hydrocarbons offshore in the OCS.

Mr. WAGNER. Let me just start, Mr. Chairman and Congressman Wittman, by saying that, a year prior to the Energy Bill, we did pass a piece of legislation that called on our Virginia liaison office, who are lobbyists in Washington that represent the Commonwealth of Virginia, to lobby to lift the moratorium, which included oil and gas, and it passed in overwhelming numbers in the Senate and the House, and was conferred to then-Governor Warner, now Senator Warner, who vetoed the bill because he said he wanted to study it for an additional year.

He did complete that study. Amazingly, it came out about a day after he left office, and the study determined that it would have been altogether appropriate to pursue that.

So, as part of the comprehensive energy plan, that language was kept in the bill in its exact form that it passed. Somewhere after it passed the general assembly, in those same words, and while it was sitting on Governor Kaine's desk, I got worried that perhaps all of that would be struck, and what you see, a product of negotiation between myself and the Governor's Office, is that language, and, concurrent with that language going on, I was in conversations with him, and that is because they were considering, at the time, removing Virginia from the five-year plan, and that language, MMS conveyed to me, would be sufficient to keep Virginia in the five-year plan, which was really the goal. We do not have a whole lot of say with regards to our policy.

Having said that, I think it is totally impractical. I think everyone in this room knows that the government does not have the facilities or the capabilities to actually do the exploration, the 4-D exploration, they do now. Those capabilities are controlled by those in the industry. Clearly, they are not going to expend the type of resources that they would need to actually go out and do the surveys to confirm whether or not, what type, and where it is without reasonable certainty that they could then develop it, should they so find it.

So, obviously, it is an impractical policy, from my standpoint. Again, the 50-mile negotiation that we negotiated in Virginia was determined by our geography, which indicates that there is not going to be much of interest within 50 miles. I know that may not be the area. There are other areas, particularly in North Carolina, where those deposits might be.

I think it would be a bad step if this Committee would move forward with 50 miles as the limit barrier to go forward with. I think it is one of those areas that just, in terms of negotiating, was something that I was able to negotiate with the Governor's Office and not really give away anything.

So, as a practical step, I think that is an impractical position, and I think it is important that we move forward with and do that. Having said that, you know, I hope that there are substantial resources off the coast.

Mr. WITTMAN. Thank you, Senator. As you well know, under the current Outer Continental Shelf Lands Act, exploration, by itself, of just natural gas resources is not something that is allowed as they go forward with the five-year plan to look at leasing off of Virginia.

Based on that, do others in the general assembly agree with the Governor's request in providing a limitation to just natural gas exploration in the OCS off Virginia?

Mr. WAGNER. I would say the views vary as much, and I do not want to pin down any specific legislator on their particular views. Certainly, I think the vote that most legislators took, on behalf of my original bill, would be indicative that they are supportive of the entire measure.

I think the Energy Bill got through with major equal proportions with that same language in. Obviously, the negotiated language was taken up during the veto session and accepted by everybody, but I think there are those that definitely want to move forward with it and move forward with it relatively rapidly.

It is interesting that we talk about the tourism issues and that type of thing. I do represent half of the City of Virginia Beach. Obviously, tourism is a major component of our business triad right now, and an overwhelming percentage of people support the particular positions that a number of us have taken in that area in support of it.

What we found actually impacted tourism, this last year, was \$4-a-gallon gasoline, the lack of availability, and the state of the economy, at that point, and I think what you are going to see impacting tourism this particular summer, as the tourism season comes in, is going to be the economy itself, people taking less trips, people spending less money.

That is what we saw in Virginia, significant reductions in tourism along the Shenandoah Valley. Our hotels were filled in Virginia Beach. What we found is that they were not spending the money that they would have normally spent out there, and so it was directly related, we felt, to fuel prices.

Mr. WITTMAN. Let me ask one final question. I talked, a little bit earlier, about a comprehensive U.S. energy policy. Can you tell me, in that context of a national comprehensive energy policy, what do

you see as a reasonable policy for drilling in the OCS off of Virginia?

Mr. WAGNER. I think that a reasonable policy would be that we do take advantage of those resources. Whether you subscribe to the greenhouse gas theories or do not subscribe to the greenhouse gas theories, the fact of the matter is, we import a substantial, 60-some percent of our hydrocarbon energy from outside our borders, to the extent that we produce it ourselves, as opposed to importing it, only improves this economy.

I think our focus, Job One, ought to be Job One for America. That should be our focus right now, and, clearly, that is going to be a part of that issue. I think, equally important, as a part of our strategy, whether you subscribe to greenhouse gas or not, is clearly the expansion of the nuclear industry. That is an industry that we basically made practical in this country.

We invented many of the things they use. We walked away from it; France did not. We could take a lesson off of what France has done, both with that and the use of the breeder reactor technology, to recycle their spent rods that we take out of our reactor that are now part of our storage problem. They are actually a significant resource, if we go back and revisit our decision to walk away from breeder technology and reuse those rods. Eighty percent of the energy in those nuclear rods is still available in that rod at the point where we can no longer use them in our reactors, at this point.

I think a number of issues do that, and I think we can get here. Remember, the demands on natural gas and many of the policies that you have pushed forward in Washington here only serve to increase the demand on natural gas in this country, particularly, the clean air laws and number of those issues have really substantially—the large growth area we see in natural gas in Virginia and probably around the Nation is in the generation of electricity, where, more and more, it has become a part of the base load or, at least, more frequently coming online.

The CHAIRMAN. Thank you. I want to continue where we left off before we broke for the votes on the House Floor, and Ms. Carol Shea-Porter was asking a question of Mr. Graves, and you may respond to it now, Mr. Graves.

Mr. GRAVES. Thank you, Mr. Chairman. Congresswoman, thank you for your question.

As I recall, there were approximately two million gallons that were spilled at the Murphy oil refinery in Chalmette, Louisiana, St. Bernard Parish. There was actually a larger spill that occurred on the west bank of the Mississippi River, Blackman's Parish, the Bass facility.

Both of those facilities, I think it is very important to keep in mind, were refining and storing facilities that were not necessarily related to the offshore production. I talked earlier about the MMS study that found that, in regard to the offshore production, there were no major spills, and there was no shoreline impacts, that natural processes absorbed the oil, and the oil evaporated.

Those were storage facilities where we had a Category 5 hurricane with, at one point, wind gusts as high as 235 miles per hour, which took a huge tank battery and picked it up and moved it.

I do not know if it is even possible to design structures that are resilient enough to withstand the extraordinary beating that they took.

One thing that is important to keep in mind, and you hit on this earlier, we have lost, as I said, 2,300 square miles of land in coastal Louisiana. That land, I do not think I drew this connection, and I need to, that land serves as a vital buffer between the Gulf of Mexico and some of the developed areas of coastal Louisiana.

With the loss of those 2,300 square miles, there is a rough equation that the Corps of Engineers developed where they said that, for every 2.7 miles of healthy wetlands, you reduce storm surge by one foot. Well, these facilities, in many cases, had 10, 20, 30 miles of buffer between them and the Gulf of Mexico, and now, in many cases, like the Bass facility and, to some degree, the Chalmette facility, the Gulf of Mexico is lapping at their doors.

So, again, just to recap, I think the wetlands buffer was a significant cause of that.

Number two, these were facilities that were not necessarily related to offshore production. They were related to the petrochemical industry, that it would have come from somewhere but not definitely from the offshore.

The other question that you asked, if I recall, is you asked if I thought there was a role for renewables in the future, and, if so, how to proceed. The answer, in my opinion, is, absolutely. I think that renewables have to play a major role as a future energy source, and I commend California, again, for their efforts to try and achieve a third, and I think that we should set goals to try to develop and produce a larger share of our energy from renewable sources over the long term.

But it is vital to keep in mind that we have to develop a transition plan. We are not going to be able to, as I said in the testimony, flip a switch and, overnight, go toward renewable fuels. There is going to be a role in that transition plan for the continued production of oil and gas, and rather than us shutting down all production domestically, like I believe I have heard some propose, that demand for oil and gas production is going to have to be met.

So, we can either produce it here and expand oil and gas production as part of that transition plan where we have the safest, most stringent environmental standards, where we have a stable regulatory environment, or we can produce it in Venezuela, we can produce it in the Middle East, we can produce it in Nigeria, where, by the way, last week, three Americans were taken captive, and where you have much less-stringent environmental standards.

Ms. SHEA-PORTER. Let me just say, for the record, that I am not one to say stop because we cannot. My whole point here is that we need to start getting very, very active, and we cannot just have one way to provide energy and that this is the point where we make a decision about investing in our future.

We know what our present is, and our present definitely has oil in it, and our near future has oil in it, but I also would want to point out that there is benzene in the sediment of that community, and that was Murphy Oil. I know that there was some damage done by the oil rigs, but the point is that, as long as we need to produce oil, we are going to have some of these unintended con-

sequences. So, it is not simply what happens out in the ocean; it is what happens when we bring it in and where we have it along our coastline in our communities.

But you are absolutely right, and I hope that we never frame the argument "either/or" because I do not think it is that. I think it is, both, everything we can do right now so that we can supply our energy needs with an eye to our future, and I think we have probably used up all of the time that we could reasonably expect to use right now, so I thank you very much for your testimony today, and I thank all of you.

Mr. COSTA [presiding]. I thank the gentlewoman, and it appears that you got a second round, and since I did not get my first round on this panel, I will indulge the Committee, with everyone's permission.

Mr. Graves, could you explain to me, succinctly, very briefly, why somehow it is safe to drill off the coast of Louisiana, Texas, Mississippi, and, yes, California, and nowhere else in the country?

Mr. GRAVES. Mr. Chairman, I do not agree with that statement. As I said before, I think that there were some impacts from the early production. I think we have refined the technology, we have refined the production techniques, and I think it is safe to produce.

Mr. COSTA. It was somewhat, in all fairness, a rhetorical question because I do not agree with it either, but I think you made the point well in your statements and with your slide panel.

Mr. Diers, the Chairman of the Coastal States, how many coastal states does that include?

Mr. DIERS. We have 35 members, the Coastal States Commonwealth—

Mr. COSTA. Eastern coastal states?

Mr. DIERS. All of them, including our territories and islands.

Mr. COSTA. All of them, OK. Well, you are a real powerful guy.

I remember a controversy that came up, but I noted your testimony, and your colleague from the Northeast as well, talking about utilizing the oceans and having a balanced approach, but on wind renewable and efforts to introduce and develop wind renewables, I believe it was off of Massachusetts that it was very controversial.

What renewables should or should not be considered? I guess, is my question. I mean, I can understand why some people have problems with oil and gas, but answer the question, please.

Mr. DIERS. Sure. I would say that our position, from a broader, coastal states perspective, is the same as it is on the offshore drilling. It is that we hope that the states will continue to have a key role to play in those decisions.

Mr. COSTA. I understand, but there was controversy, particularly around wind power, on a project that I read a bit about. I am not an expert. What was the source of that controversy?

Mr. DIERS. Well, I do not actually work in Massachusetts. I believe you are talking about the Cape Wind project, and my understanding is that there was a conflict in uses the people wanted there at that particular site and that that was the—

Mr. COSTA. Would it be fair for all of the panel members, and if any of you disagree, shake your head, that part of when we are balancing a renewable portfolio versus a traditional oil or gas, and I understand why, and we have that with other issues that are off

the coast, that are inland, but there is just a NIMBY syndrome. Some people do not want—I mean, isn't there a percentage of that? Mr. Chrisman?

Mr. CHRISMAN. There is a number of issues we have been discussing here today. One is an energy policy, a renewable portfolio that California has established that I actually voted for and supported. I want to commend you and the Governor, and I think it is a standard that we ought to try to obtain nationwide, and I also applaud myself since I voted for some of that effort over the years, in terms of a balanced energy package that was using all of the energy tools in our toolbox.

But the other part of the discussion that has taken place here today is the impact on the oceans, and I would just like to try to put it in perspective. One of our colleagues, earlier today, made the comment that the moratorium was responsible for improvements, but I am trying to understand that because the fact is that, in four states, we have not had a moratorium. I am not so sure how we can credit the moratorium for helping improve the fisheries.

What would you, as Natural Resources Agency Secretary in California, what impact would you say, in terms of not the energy portfolio—that is a separate discussion—but in terms of helping deal with the degradation of fisheries in the ocean?

Mr. CHRISMAN. Congressman, as I understand it, the question is not so much the oil impact but other impacts. Is this what you are talking about, degradation of the oceans?

Mr. COSTA. I made the comment, and if any of you have any new information, please, I am always trying to get the newest information.

It was a 2002 National Academy of Sciences report that basically studied all of the various analyses on contributing sources of degradation to the oceans and fisheries, and it basically said that over 85 percent of it was as a result of nonpoint-source pollution, runoffs and all the kinds of things, and I think they attributed, in North America, one percent was the result, and I do not know if these figures are accurate or not, was the result of oil and gas production, and three percent around the world. Do any of you have any newer figures on that?

Mr. CHRISMAN. I get what you are asking, and I think, quite frankly, they are the figures that we keep using as we look at the work that we are doing in the California Ocean Protection Act, the recognition that what we really have to do is we have to take a look at the adverse water-quality impacts along the coast, pretty significant, up into our estuaries where our water supply projects come from. There is significant degradation there.

But in the ocean, it is, in certain parts of our state, particularly in Southern California, where we have numerous sewer outfalls all up and down the coast in Southern California, we see significant degradation of the fisheries and the fisheries resource.

Mr. COSTA. So, there are two discussions here, and I understand why people want to link them, but one is the degradation of the oceans and the fisheries, and the other is as to whether or not we should encourage additional oil and gas development, OCS, because that might somehow diminish our impacts to move to renewables.

I am one of those who do not believe that that is—some of my colleagues—

Mr. CHRISMAN. I do.

Mr. COSTA. I mean, I think there is a short-term, an intermediate, and a long-term energy policy—

Mr. CHRISMAN. I agree.

Mr. COSTA.—which continues to seem to miss us here, for whatever reasons that I cannot quite put my finger on.

So, if you were trying to get your best bang for your buck for protection of the oceans, the impacts of the 27 platforms in California, would you say that is significant, or would you say that that is de minimis.

Mr. CHRISMAN. It is de minimis.

Mr. COSTA. And are we not doing a lot of slant drilling within that three-mile area along California and deriving literally hundreds of millions of dollars to the State Lands Commission that Californians enjoy spending for other environmental and park purposes?

Mr. CHRISMAN. Are you referring to the PXP?

Mr. COSTA. Well, there is that, and then there is the existing facilities. I think, out of the 27 platforms—

Mr. CHRISMAN. Historically, we have, yes.

Mr. COSTA. Five of them are in the three-mile limit—

Mr. CHRISMAN. Right.

Mr. COSTA.—and we do slant drilling off of Vandenberg and Ventura County—

Mr. CHRISMAN. Yes.

Mr. COSTA.—and they seem to work OK.

Mr. CHRISMAN. They work fine, off of existing platforms.

Mr. COSTA. Right, right. Let me ask a final question because we have taken a lot of time, and I think it is just Doc Hastings and myself, and we probably ought to give you folks a break.

I just think that, as we try to strive to, whether it is a 20-percent or 30-percent renewable portfolio, that we be careful about the issues. I mean, a lot of people have agendas around here, and California is no different, but it seems to me that trying to develop that policy, and I asked that question to our colleagues earlier, and I said I would ask it to you again, what is missing, as we develop a near-term, intermediate, and long-term, comprehensive, sustainable energy policy, that you think you are doing in California that we are not doing here?

Mr. CHRISMAN. What is missing is, and I have said it in my answer to the question of the Chair, what is missing is the conversation that has begun here, with the president and others, about an integrated, national energy policy that recognizes all of the issues that we have been talking about today and gets us, at the states, engaged with you, at the national level, to bring this about because there are going to be significant regional differences with respect to the policy, significant regional differences in demands. There are going to be ocean issues and ocean-degradation issues that are not applicable to other parts of the nation.

So, it is the work that gets done here, in the policy conversation, and focus, with the support of the president, with the support of the administration, and the support of the Congress, to carry for-

ward and recognize that we have to get that short-term, medium-term, and long-term energy policy in place.

Mr. COSTA. All right. One final question, and then the Ranking Member has a few questions that he would like to ask.

We know that, out of the 27 platforms in California—I like to remind my colleagues, especially my California colleagues, that we do drill in California—and while five of them are within the three-mile limit, the 23 that are in the Federal-designated area, OCS, with the new technologies that I have been becoming more familiar with in the Gulf of Mexico, where they are able to actually go out in deep water and develop these pods on the ocean floor and develop multiple wells to further expand that resource, clearly, you made it clear about the Governor's emphatic statement about his view about additional drilling.

I am just wondering, in those 23 platforms that exist in California, if that new technology was implemented that would allow for additional development of that resource. Is that in that emphatic no and no but no, or would that be considered?

Mr. CHRISMAN. It would be considered, but we have to be careful. We had a Plains Exploration Petroleum Company that it was actually a platform in Federal waters for the proposed slant drilling into state waters. We have the authority, in statute, the state lands commission has the authority, to regulate that, and so, with the Governor's support, we took to the state lands commission the support to allow that additional slant drilling to take place. The state lands commission turned it down.

Mr. COSTA. Yes. I think I remember that vote, two-to-one. All right.

Mr. CHRISMAN. The Governor—we supported that move.

Mr. COSTA. Well, I applaud the Governor for supporting that move.

My questioning is completed at this time, and I will submit further questions, in written form, for the other witnesses.

Thank you, all of you, for your good work. We will listen to my colleague, the gentleman from Washington, and then, when he is finished, we will conclude the hearing. I will ask for unanimous consent that our Members submit additional questions for the record.

My good friend, Doc Hastings, will be the final word on today's, I think, helpful and informative panel. It is good to see all of you, especially Mike. Thank you.

Mr. HASTINGS. Thank you, Mr. Chairman. Let me thank you for coming here today and for staying through, which is a normal interruption for us, the necessary votes and staying for an extra hour and 15 minutes.

This hearing is the second of three hearings, and we are talking about drilling in the Outer Continental Shelf, and we have characterized it a great deal about energy, which, of course, is true, but there are a lot of byproducts, for example, that come from petroleum and natural gas. You are all drinking water out of a container that is a byproduct of petroleum and natural gas, and I would suggest that probably, with the exception of Senator Wagner, all of you flew here. Am I right? The other four of you, except Senator Wagner, flew here. You drove, too?

Mr. MARVINNEY. I took a train.

Mr. HASTINGS. You took a train? OK.

Let me broaden this and get you all to say "yes," in a way, by saying, have you flown in the past month or the past year, anybody, all of you, at one time? All right.

The reason I bring that up is because the newer generation of airplanes, and I am from Washington State, even though Boeing does not have a plant in my district, but the new 787 is built entirely of carbon composites, entirely of carbon composites, and a lot of the airplanes that are being built today, different parts of them are carbon composites.

So, if we look at offshore and the byproducts of all of this, we have to go beyond just what energy produces, as necessary as that is, and for us to wean our way from that is going to be a very long process. Now, ironically, one of the reasons that the 787 is so attractive is because its much lighter weight, which means it burns less fuel, so it is a win-win situation.

I think that is worth talking about, although I certainly believe that we need to be energy independent, that we start with that basis.

Mr. Chrisman, you and I had an exchange earlier. I want to ask you another question, and, Mr. Marvinney, I am going to ask you a similar question. Do you know how many LNG facilities, liquid natural gas facilities, are planned in California to be built?

Mr. CHRISMAN. The last number, the possibility, being proposed was four, none of which have attained the necessary permits yet.

Mr. HASTINGS. OK. Is this something that you support?

Mr. CHRISMAN. Yes, we do.

Mr. HASTINGS. You do. OK. Mr. Marvinney?

Mr. MARVINNEY. I believe there are only two that are in the discussion phase, at this point.

Mr. HASTINGS. OK. And do you support them?

Mr. MARVINNEY. I think it is part of our transition from fossil fuels to other sources, so we need to find ways of increasing that.

Mr. HASTINGS. So, it is part of the fossil fuel transition.

Let me just ask this question. Since we know the Outer Continental Shelf has huge deposits of natural gas, don't you really think that it might be more advantageous to open that up rather than to ship natural gas from, say, Saudi Arabia or Venezuela or Brazil? Doesn't it seem to be more logical to utilize the resources we have rather than to bring that in, either one of you or both of you? Would you like to answer that?

Mr. CHRISMAN. Yes, I would, because we debated this very question, and we opted, because so much of our electric generation comes from natural gas, in addition to hydro facilities, but natural gas is our predominant generating capacity, we opted to support liquefied natural gas because of the price of natural gas at the time; for us, it was more economical.

We spent some time talking to the folks where we were actually talking about buying the gas, actually off of Australia. We actually visited some of their facilities, looked at it, and we essentially made an informed decision, on our part, to support the importation of LNG, the creation of those terminals.

Mr. HASTINGS. And you think that is a better option than having your own domestic supply of liquid natural gas?

Mr. CHRISMAN. The option that we are looking at is a balance.

Mr. HASTINGS. I understand that. That is why I asked the question. You said you made the decision to import natural gas. Do you think that is a better option rather than having our own?

Mr. CHRISMAN. No. I think it adds to our balance, our balance of fuels that we are bringing into California. It adds an additional source of supply for us that we need for our population.

Mr. HASTINGS. When will those plants be built? Do you know?

Mr. CHRISMAN. I do not know.

Mr. HASTINGS. Can you give me a rough—

Mr. CHRISMAN. They have met some significant opposition along the coast. We were hoping we would have one built now. Our best estimate is that our need in California, and, again, we have debated the need—there are those, in significant numbers, at home that disagree with the need, but, essentially, we are looking, we think, at maybe two LNG terminals in California will get done.

Mr. HASTINGS. By when?

Mr. CHRISMAN. We hope, over the next eight to 10 years.

Mr. HASTINGS. Eight to 10 years. Now, couldn't we develop the our Outer Continental Shelf resources and not have to worry about these LNG terminals?

Mr. CHRISMAN. We could, yes.

Mr. HASTINGS. Is that an option, too?

Mr. CHRISMAN. No.

Mr. HASTINGS. That is not an option.

Mr. CHRISMAN. No.

Mr. HASTINGS. OK. I wonder why, but go ahead, Mr. Marvinney.

Mr. MARVINNEY. As I said in my testimony, we are not opposed to offshore oil and gas exploration and development. I just think it needs to be in the places where there is the greatest potential for those resources and consider the great potential of other resources in some of the other areas.

So, certainly, where there are appropriate gas resources, I think that is an important part of the picture.

Mr. HASTINGS. Well, I think everybody would agree that you do not want to drill where there is no product to drill. That makes sense, but, as I understand the industry, you do not know that until you drill, which makes it kind of difficult to find out. There are other tests, but you really do not know until you drill.

Let me just conclude. I thank you. Mr. Chrisman, in due respect, I really feel that your response that it is better to import than utilize our own resources—

Mr. CHRISMAN. That is not what I said, Congressman. What I said was, it is part of our mix.

Mr. HASTINGS. Right, but given the 10-year time period when you could probably go out to the Outer Continental Shelf and get natural gas, if we started today, that might be a shorter timeframe, and I thought you responded to me by saying, no, that was not an option.

Mr. CHRISMAN. For us, it is not an option. We do not support going out in the Outer Continental Shelf.

Mr. HASTINGS. OK. Well, I think that maybe we are passing each other in the night, but I still interpret that as being a "no."

I mean, here we are. You know, your state has gone through some very tough fiscal times. Everybody in the country knows what you went through. Your unemployment rate is nearing 10 percent, and it just seems to me, part of becoming energy independent, part of getting product that can be used by a whole variety of other things, is a positive thing in order to help our economy, and we know, by testimony we heard on this panel and other panels, that you can do it in an environmentally safe way, why we would not do that.

I just want to make that observation. Clearly, there is a divide in this country. Hopefully, the side that I think we ought to do it, knowing we can do it in an environmentally safe way, is the proper way to go.

At any rate, once again, I want to thank you for your time here and for your testimony, and, Mr. Chairman, thank you very much.

Mr. COSTA. Thank you very much. Yes?

Mr. HASTINGS. I ask unanimous consent to submit for the record the UCSB study.

Mr. COSTA. Without objection, and, once again, I will indicate, for staff and Members who are in their offices or in other committees, that unanimous consent be allowed to Members to submit additional questions for the record. As we always urge Committee Members, if they do have those additional questions, that 10-day period, we urge them to submit them earlier rather than later, and we will follow through with the distinguished panels that we had today and ask that the questions be answered in a timely fashion.

So, without any further ado, I want to thank all of the Members who participated and both panels for a very good Committee hearing.

The Natural Resources Committee hearing today is now adjourned.

[Whereupon, at 3:10 p.m., the Committee was adjourned.]

[Additional material submitted for the record follows:]

**Response to questions submitted for the record by Mike Chrisman,
Secretary, California Natural Resources Agency**

(Question 2). To all panelists: A number of legislative proposals regarding the Outer Continental Shelf have proposed that any new revenues that accrue as a result of new offshore oil and gas activity be shared with the States, as is now the case with the Gulf of Mexico States. At the hearing, Congressman Farr suggested the formation of an Oceans Trust Fund, while Congressman Rohrabacher suggested giving revenues directly to coastal communities to allow them to address local needs, such as reducing urban runoff and repairing sewers, although it was not clear whether only communities that have drilling off their shores should be provided with funding to address those needs, or if all communities should have access to such funding, regardless of the proximity of offshore drilling. Please provide the positions of your state governments regarding the best use of any potentially shared offshore revenue: would you prefer an Oceans Trust Fund model that provided revenue nationally to address ocean issues, a revenue sharing model that only included states or communities that have offshore drilling off their shores, a revenue sharing model that provides shared revenues directly to states and coastal communities regardless of whether they have drilling off their shores, or another model entirely? Also, are there any analogous revenue sharing programs that Congress should look

at as good models for how to move forward, should we decide to increase the amount of OCS revenues shared with states and local communities?

Response:

In its Final Report, the U.S. Commission on Ocean Policy identified a myriad of challenges to improve the management of our nation's ocean and coastal resources. The Commission recognized that to meet these challenges additional investments would be necessary, and Outer Continental Shelf (OCS) receipts were identified as the primary source of funding. Additionally, the Commission recommended that a portion of OCS revenues should be shared with coastal states (Recommendation 24-1).

California supports revenue sharing, but only if it does not provide incentives for new OCS oil and gas development. In addition, revenues shared with the states should further the goals of improved coastal and ocean management, restoration, conservation, preservation, mitigation, research and education and the Congress and the Obama Administration should consult with coastal states in the development of any new program or formula of revenue sharing.

The California Ocean Protection Council, which I chair, supports the establishment of the ocean trust fund supported by the Coastal States Organization in its Call for Action and is included within H.R. 21 (Farr). California also has extensive experience with two Coastal Impact Assistance Programs (CIAP) that were established by the Commerce, Justice, State (H.R. 5344) Fiscal Year 2001 Appropriations Act and more recently the Energy Policy Act of 2005. These laws authorized funds to be distributed to Outer Continental Shelf (OCS) oil and gas producing states to mitigate the impacts of OCS oil and gas activities. Though this model only provides revenue to producing states, it could be adapted to include all coastal states. Under this model, states must submit a Coastal Impact Assistance Plan (Plan) that meets the federal government's approval to be eligible for CIAP grant funds. A producing state or coastal political subdivision (CPS) may use the funds for a variety of projects to help mitigate the impacts of offshore energy development.

Other models have been proposed, including H.R. 701, Conservation and Reinvestment Act (CARA) in the 106th Congress. CARA passed the House on May 11, 2000, and was approved by the Senate Committee on Energy and Natural Resources on July 25, 2000, but did not progress further. This approach would have allocated revenues from OCS oil and gas activities for federal and state resource acquisition and protection, urban recreation, wildlife protection, and related purposes. It would have created and funded a new coastal energy impact assistance program, amended and funded the Land and Water Conservation Fund (LWCF), funded the Urban Park and Recreation Recovery program and the Historic Preservation Fund, increasing funding for wildlife conservation, and funded land restoration and easement programs. Another model, which should be evaluated, is the "Coastal and Ocean Protection Plan Implementation Act" that was introduced in June 2007 by former Sen. Stevens of Alaska. This bill would have established an ocean and coastal development impact assistance fund and grant program and an ocean policy trust fund and would have provided funding to federal agencies, coastal states, local governments, and non-governmental entities to address ocean and coastal protection.

(Question 3). To all panelists: Do you believe that states have an adequate role in the current MMS offshore leasing planning process? Or is there any way that you would like to see the states roles strengthened?

Response:

We support any processes that will facilitate full state participation in all phases of the federal offshore energy policy and leasing processes. We are encouraged by the recent decision of the Department of the Interior to take a broader look at offshore energy production, be it oil and gas, wind, wave, ocean currents, or energy conservation. We also concur with the recent emphasis on folding offshore energy evaluations into this comprehensive energy policy approach. This type of comprehensive approach to energy policy has been lacking in the MMS process to date.

We also want to underscore the importance of maintaining the federal consistency provisions within the Coastal Zone Management Act. These provisions are essential to the federal/state partnership envisioned by Congress. Our concern about maintaining this authority is paramount and any legislation that would weaken this authority would be unacceptable to California.

(Question 4). Secretary Chrisman, could you provide the Governor's position on the Plains Exploration and Production (PXP) proposal to allow an existing federal platform to drill a new well into California state waters? Does the state believe that it has the authority to require a platform operating in federal waters to cease operations as of a certain date? Does the state believe that the PXP model proposed at this site could also be used to access additional oil fields under state or federal waters?

Response:

The following is an overview of the recent developments with PXP's proposal.

- On January 29, 2009, the California State Lands Commission considered PXP's application for a permit. Despite much public testimony supporting the project and support from environmental stakeholders and the local community, the permit application was defeated 2 to 1. Commission decisions cannot be appealed.
- Governor Schwarzenegger's representative on the commission supported PXP's application due to unique circumstances and benefits of the proposed project; e.g., drainage of oil from federal waters, agreements by the company to cease operations of this facility and the entire Tranquillon Ridge and Pt. Pedernales fields by a certain date, and property donations to the community.
- The commission's legal counsel in consultation with California Attorney General's office has determined that PXP may reapply for a permit. It is our understanding that PXP is aware that may reapply and this it is currently weighing its options. If PXP decides to reapply it will have to develop a project proposal that addresses the concerns of the commission.

The State Lands Commission does not believe that it has the authority to require a platform operating in federal waters to cease operation as of certain date. Note: California's CZMA agency for the open coast, the California Coastal Commission, has not yet considered and voted on PXP's proposal. This would not occur until an approval was achieved by the State Lands Commission.

State Lands Commission engineering experts believe that is technically feasible to use the directional drilling technology that was incorporated into the PXP proposal at other sites in California to access additional oil fields under state or federal waters. However, the PXP proposal presented a unique set of circumstances (e.g., federal drainage, agreements by the company to cease offshore drilling operations, and property donations to the community) that are not likely to lend themselves to development of other sites. However, consistent with my testimony, the Schwarzenegger Administration remains opposed to new offshore oil and gas drilling off the California coast.

(Question 5). Secretary Chrisman, at the committee hearing on February 11, 2009 a witness argues that additional oil drilling along the California coastline would help reduce natural oil seeps. Does the state agree with that argument?

Response:

According to the California State Lands Commission approximately 2,000 individual seeps are believed to exist in the Santa Barbara Channel and Santa Maria Basin. Our engineering experts with the State Lands Commission do not believe there is sufficient proof that additional oil drilling would be helpful in reducing natural oil seeps. They also note that there is very little data focusing on the relationship between natural seepage and production. For the following reasons we believe that a theory of significantly reducing seep activity through increased production is not realistic:

- Most oil is not being produced from the same (probably shallow) geological structures as those from the seeps. Therefore there will be little or no impact, unless these geologic structures are somehow connected.
- When pressures begin to subside with production, natural repressurization could occur through aquifer influx; or water or produced gas is commonly injected back into the structure to maintain high pressure for production. This is regular practice by the operators.

(Question 6). Secretary Chrisman, the committee has been told that California has more stringent environmental requirements for oil and gas production in state waters than the federal government has in other parts of the OCS. For example one of our witnesses at the February 11, 2009 hearing described how California requires operators to treat and dispose of drilling muds onshore, rather than disposing of them on the sea bottom. Could you provide a list of environmental requirements imposed by California that are not regularly imposed by the federal government?

Response:

California has a long history of placing special requirements for offshore oil and gas operations. The precautions pertaining to drilling muds is just one example. Some others include:

- *Oil Spill Containment and Cleanup.* California has placed special requirement for equipment to be placed at the site of operations and with special cleanup organizations (spill cooperatives and contractors) who can respond to larger spills. In addition, there is a \$0.05 surcharge applied per barrel for the state Oil Spill Prevention and Response fund (collected monthly by the Board of Equalization) for preparedness and prevention activities of the state. For marine response to oil spills, the state maintains the Oil Spill Response Trust Fund. Currently, fees are generated at \$.25 per barrel. The fund is capped at \$58 million. Per statute, the fund is to be kept at 90% of this cap.
- *Safe Navigation.* Prohibitions of the placement of any facilities in buffer zones of the vessel traffic lanes.
- *Air quality.* Restrictions placed on emissions from drilling facilities, work and supply boats, and onshore facilities.
- *Habitat and Fisheries Protection.* Reducing impacts from the placement of pipelines to bottom habitats such as eel grass, rocky bottoms, and placing equipment or operations that would interfere with commercial or sport fishing.

(Question 14). Secretary Chrisman, could you provide the committee with an update on where California stands with the Coastal Impact Assistance Program—how close is the state to receiving funding through that program, and on what projects does the state expect to be using that funding on? Also, please describe the state's experiences with the CIAP program, including any ways that the state believes it should be modified.

Response:

The California Natural Resources Agency, which I head, is Governor Schwarzenegger's designated lead agency for implementing the Coastal Impact Assistance Program (CIAP) in California. As such, the Agency has developed and drafted with substantial public input a Coastal Impact Assistance Plan (Plan) for expenditure of \$20.6 million in CIAP grant funds. The Plan includes 80 total project proposals from 17 eligible coastal counties and 9 state agencies. The Natural Resources Agency is finalizing the Plan so that it can be submitted to the MMS headquarters and the MMS's Pacific OCS Regional Office by the end of March 2009.

- These 80 projects fall under one of the following 15 categories:
 1. Climate Change
 2. Coastal Habitat Restoration
 3. Coastal Protection and Public Access
 4. Coastal Sediment Management
 5. Coastal Water Quality
 6. Coastal Wetlands
 7. Energy
 8. Invasive Species
 9. Mapping
 10. Marine Debris
 11. Marine Law Enforcement
 12. Marine Life Protection Act/Marine Life Management Act Implementation
 13. Public Education and Outreach
 14. Science and Research
 15. CIAP Administration
- The Natural Resources Agency has enjoyed a close working relationship with MMS staff, especially staff at the Pacific OCS Regional office. However, development of the state Plan has not been without significant problems. Specifically, in June 2008, after completing a 30-day public comment period on a draft Plan, the Natural Resources Agency was informed by MMS headquarters that the funding level assumptions contained in the Plan would probably not come to

fruition. We were further directed by MMS headquarters to redraft our Plan based on lower funding expectations. The Natural Resources Agency followed this direction and redrafted the Plan. A revised draft Plan was circulated for public comment during October/November 2008.

- One fundamental way that the CIAP could be modified to benefit the states is to change the requirement that each project contained within a state's Plan have its own grant agreement. As with the NOAA CIAP, the Natural Resources Agency would prefer to execute one grant agreement with the MMS covering all projects with each state or local jurisdiction. This change would streamline the granting process and greatly reduce the administrative burden on the MMS, states, and local jurisdictions. It would also enable grant funds to flow to grant recipients much more quickly.
- In drafting future CIAP type programs, Congress should consider allocating grant funds using a formula that uses currently available OCS revenue information and does not rely upon waiting for future revenue information. This change to the CIAP will provide states with more certain grant funding allocation information and thus enable them to develop CIAP plans not vulnerable to fluctuating OCS revenue.

(Question 15). To all panelists: Last September the House passed a bill that would have created a 50-mile buffer zone where drilling was not allowed, and then a 50-mile zone where states would get to decide where drilling was allowed. What are your states' opinions on the use of buffer zones, and do you believe that 50 miles, or some other distance, is appropriate?

Response:

Governor Schwarzenegger has a long standing policy of opposing new offshore oil and gas leases off the coast of California. In addition, the Governor has taken every opportunity to ensure that the (Congressional) moratorium on offshore oil and gas leasing is maintained.

We do not believe that buffer zones would eliminate the impact of a major oil spill off our shores. This position is based on our experience with oil spills in California such as the 1969 Platform A spill in the Santa Barbara Channel and our observations of other spills (such as the Exxon Valdez in Alaska and the tanker vessel Puerto Rican off San Francisco Bay). These events demonstrate that a buffer zone of 50 or even 100 miles would not eliminate the impacts during a major oil spill. Oil spilled during a major accident can travel long distances (well over 1,200 or more miles in the case of the Exxon Valdez).

**Response to questions submitted for the record by Ted Diers,
Chair, Coastal States Organization**

I very much appreciate the opportunity to offer testimony on state perspectives on offshore drilling and support the efforts of the Committee on Natural Resources to develop an energy policy for the U.S. that includes traditional and renewable energy development offshore while recognizing the importance of coastal ecosystems and communities. The responses on behalf of the Coastal States Organization to the questions forwarded on March 9, 2009, are below.

- 1. One of the concerns raised by those who are not supportive of new offshore drilling, particularly along the East Coast, is what role neighboring states would have in drilling decisions. For example, hypothetically, if New Hampshire wanted to allow drilling off its coastline, what kind of say should Maine or Massachusetts have on that? Are existing Coastal Zone Management Act provisions adequate to protect coastal states interests? Or is there a need for a new regional approach on these decisions, similar to what Mr. Diers mentioned in his testimony?**

Through the federal consistency provision, the Coastal Zone Management Act (CZMA) provides states the ability to confer with a neighboring state on a consistency review. Thus, states have the ability, under the current statute, to review according to their own enforceable program. In addition, the current CZMA encourages coordination among states related to planning for such development. In the hypothetical above, Massachusetts would review what would be the direct impacts that New Hampshire's activities might have on the Massachusetts coastline and resources.

CSO does support an approach that incorporates regional coordination. It allows for more fluidity - energy production often implicates an entire region (the vast distances vessels go, the nature of oil spills/cleanups). The existing regional partner-

ships could provide an on-the-ground mechanism for such regional planning without creating a new governance scenario or governmental layer.

- 2. A number of legislative proposals regarding the Outer Continental Shelf have proposed that any new revenues that accrue as a result of new offshore oil and gas activity be shared with the States, as is now the case with the Gulf of Mexico States. At the hearing, Congressman Farr suggested the formation of an Oceans Trust Fund, while Congressman Rohrabacher suggested giving revenues directly to coastal communities to allow them to address local needs, such as reducing urban runoff and repairing sewers, although it was not clear whether only communities that have drilling off their shores should be provided with funding to address those needs, or if all communities should have access to such funding, regardless of the proximity of offshore drilling. Please provide the positions of your state governments regarding the best use of any potentially shared offshore revenue: would you prefer an Oceans Trust Fund model that provided revenue nationally to address ocean issues, a revenue sharing model that only included states or communities that have offshore drilling off their shores, a revenue sharing model that provides shared revenues directly to states and coastal communities regardless of whether they have drilling off their shores, or another model entirely? Also, are there any analogous revenue sharing programs that Congress should look at as good models for how to move forward, should we decide to increase the amount of OCS revenues shared with states and local communities?**

In its Final Report, the U.S. Commission on Ocean Policy identified a myriad of challenges to improve the management of our nation's ocean and coastal resources. The Commission recognized that to meet these challenges, additional investments would be necessary, and OCS receipts were identified as the primary source of funding. Additionally, the Commission recommended that a portion of OCS revenues should be shared with coastal states (Recommendation 24-1). CSO's position is that revenues shared with the states should further the goals of improved coastal and ocean management, restoration, conservation, preservation, mitigation, research and education. In addition, Congress and the Administration should consult with coastal states in the development of any new program or formula of revenue sharing.

CSO does not have a formal position on any particular revenue sharing model but notes that the Coastal Impact Assistance Program (CIAP) was established in 2005 by the Energy Policy Act of 2005, authorizing funds to be distributed to Outer Continental Shelf (OCS) oil and gas producing states to mitigate the impacts of OCS oil and gas activities. Though this model only provides revenue to producing states, it could be adapted to include all coastal states. Under this model, states must submit a coastal impact assistance state plan (Plan) that meets Minerals Management Service approval to be eligible for CIAP funds. A producing state or coastal political subdivision may use the funds for: projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands; mitigation of damage to fish, wildlife, or natural resources; planning assistance and the administrative costs of complying with this section; implementation of a federally-approved marine, coastal or comprehensive conservation management plan; and, mitigation of the impact of OCS activities through funding of onshore infrastructure projects and service needs.

Other models have been proposed, including H.R. 701, Conservation and Reinvestment Act (CARA) in the 106th Congress. CARA passed the House on May 11, 2000, and was approved by the Senate Committee on Energy and Natural Resources on July 25, 2000, but did not progress further. Both proposed bills allocated revenues from OCS oil and gas activities for federal and state resource acquisition and protection, urban recreation, wildlife protection, and related purposes. Both bills would have created and funded a new coastal energy impact assistance program, amended and funded the Land and Water Conservation Fund and funded the Urban Park and Recreation Recovery program, Historic Preservation Fund, land restoration and easement programs, and the Payment in Lieu of Taxes Program. These two models provide a valuable starting point for discussions of revenue sharing models.

- 3. Do you believe that states have an adequate role in the current MMS offshore leasing planning process? Or is there any way that you would like to see the states roles strengthened?**

CSO does not have a position on the adequacy of the MMS offshore leasing planning process. However, in the planning process, consistency review must be maintained and respected. This review enables states to take part in planning and in-

forms MMS of the potential impacts in the coastal zone. Early consultation through consistency review allows for a more predictable process for both the state and the applicant, and for changes to be made before significant financial resources are invested.

4. Mr. Diers, you mention in your testimony that federal consistency authority under CZMA should be maintained, and states' authority should not be weakened. Do you feel there is any need to strengthen state consistency requirements with respect to offshore drilling and other offshore energy development?

No—it is CSO's position that consistency is an effective tool as written in the current CZMA. In CSO's efforts toward CZMA reauthorization, it advocates that the consistency provisions be left as status quo. Having said that, it is vital that consistency not be weakened as a result of energy legislation. Indeed, CSO encourages the explicit reference to CZMA consistency in any future energy legislation so that there is no doubt of Congress' intent to maintain the states' authority to review energy-related actions affecting the coastal zone.

Since the enactment of the CZMA, early consultation and consultation between states, the consistency provision has been primarily a tool to find common ground between federal projects and the needs of the nation's coasts resulting in very few state consistency objections. In 2005/2006 alone, over 8,000 consistency reviews were conducted and only 60 objections were filed by the states: this is less than 1%.

In addition, many states have found creative ways to use the consistency provision to form better partnerships and processes. These tend to help both the applicant and the review agency. For example, Alaska uses a memorandum of understanding with the Minerals Management Service to facilitate reviews of OCS activities. North Carolina's coastal program facilitates review of energy projects by identifying information needs up front to avoid delays and increase predictability for industry. Texas developed a general concurrence for its review of OCS oil and gas exploration plans.

5. Mr. Diers, in our February 25th hearing, Mr. Larry Nichols of the American Petroleum Institute states that the Coastal Zone Management Act "allows a state to block offshore activities that are inconsistent with its coastal zone management plan. That block can be removed only by the federal government through an arduous appeals process, which can be followed by litigation if the state disagrees with the federal government's decision." The implication of his statement seems to be that states possess all the authority they need now to effectively block drilling from happening off their shores. Do you believe that states have enough authority under CZMA to effectively block offshore activities? Is it clear enough what constitutes an "affected state" for the purposes of making consistency determinations for offshore energy siting under the CZMA?

It is important to note that framing consistency review as a method to "block activities" is not supported by the evidence. There have been fewer than 40 objections that have gone through the entire objection and appeals process. Louisiana, for example, has only had 1 objection in state history. Furthermore, the appeals process was designed to be streamlined with specific timeframes and clarity on the process of review. The consistency review itself is also time-limited and cannot drag out a process; rather, it is usually the other siting and permitting concerns which tend to extend the length of project review.

The consistency review is not put in place to block activities—the purpose of the review is to determine consistency of the project with state law. In fact, both producing states, as well as neighboring states, that can show an impact to coastal zone resources have authority to review. Producing states are particularly reliant on consistency review in order to manage the myriad development processes and associated impacts that go along with offshore energy development. The consistency review incorporates many elements beyond environmental concerns. For example, in my own state of New Hampshire, of our sixteen enforceable policies, only a few are related to natural resources. Most are related to managing conflict with human uses.

- 6. Last September the House passed a bill that would have created a 50-mile buffer zone where drilling was not allowed, and then a 50-mile zone where states would get to decide where drilling was allowed. What are your states' opinions on the use of buffer zones, and do you believe that 50 miles, or some other distance, is appropriate?**

CSO does not have a position on 50-mile or any other ocean buffer. However, it is important to note that a 50-mile buffer may not represent an ecosystem-based approach. Through a regional ecological and economic analysis, one might find that a 50-mile buffer is adequate but to our knowledge, no one has done such an analysis. This is clearly an important area of research and the type of policy assessment that is best accomplished at the regional level, and in partnership between the state and federal government.

**Response to questions submitted for the record by Robert G. Marvinney,
Maine Geological Survey, Augusta, Maine**

- 1. To Mr. Diers, Mr. Marvinney, and Mr. Wagner: One of the concerns raised by those who are not supportive of new offshore drilling, particularly along the East Coast, is what role neighboring states would have in drilling decisions. For example, hypothetically, if New Hampshire wanted to allow drilling off its coastline, what kind of say should Maine or Massachusetts have on that? Are existing Coastal Zone Management Act provisions adequate to protect coastal states interests? Or is there a need for a new regional approach on these decisions, similar to what Mr. Diers mentioned in his testimony?**

Response: Existing Coastal Zone Management Act provisions leave the question of the role of neighboring states in these types of situations open to interpretation. The more realistic probability is the potential for oil and gas leasing on the Georges Bank, a major fisheries resource for the fisherman of Maine and New England. The proximity of the Georges Bank to Massachusetts presents the possibility that Massachusetts' interests might dictate more strongly than Maine's in this situation, in spite of the critical nature of this resource to Maine's economy. This can be addressed by directing the Minerals Management Service to engage in discussions early and often in the process with the most proximal state and neighboring states, and by weighting input from each equally. Maine is not opposed to the responsible development of oil and gas resources of the nation's OCS. The regional approach should be this: we need to consider the entire potential energy endowment of the entire OCS, including traditional oil and gas and renewables, and then develop a strategy to exploit these where each potential is the greatest. For oil and gas, this is the Gulf of Mexico, where the highest potential exists for significant reserves and where the infrastructure is already in place to support these activities. For the Gulf of Maine, the greatest potential is wind, and work is already underway to support this effort.

- 2. To all panelists: A number of legislative proposals regarding the Outer Continental Shelf have proposed that any new revenues that accrue as a result of new offshore oil and gas activity be shared with the States, as is now the case with the Gulf of Mexico States. At the hearing, Congressman Farr suggested the formation of an Oceans Trust Fund, while Congressman Rohrabacher suggested giving revenues directly to coastal communities to allow them to address local needs, such as reducing urban runoff and repairing sewers, although it was not clear whether only communities that have drilling off their shores should be provided with funding to address those needs, or if all communities should have access to such funding, regardless of the proximity of offshore drilling. Please provide the positions of your state governments regarding the best use of any potentially shared offshore revenue: would you prefer an Oceans Trust Fund model that provided revenue nationally to address ocean issues, a revenue sharing model that only included states or communities that have offshore drilling off their shores, a revenue sharing model that provides shared revenues directly to states and coastal communities regardless of whether they have drilling off their shores, or another model entirely? Also, are there any analogous revenue sharing programs that Congress should look at as good models for how to move forward, should we decide to increase the amount of OCS revenues shared with states and local communities?**

Response: There should be some reinvestment of new revenues from OCS oil and gas activities into ocean issues and affected ocean communities, although Maine does not have a position on which approach would be preferred.

3. **To all panelists: Do you believe that states have an adequate role in the current MMS offshore leasing planning process? Or is there any way that you would like to see the states roles strengthened?**

Response: MMS is striving to engage states at an early stage in the discussions of potential offshore leasing. Past history, however, demonstrates that the views of the Department of Interior and MMS most often prevail when there are differences with the views of the states. There should be a strengthened role for states in the planning process to ensure that state's views are given equal standing with federal views.

4. **Secretary Chrisman, could you provide the Governor's position on the Plains Exploration and Production (PXP) proposal to allow an existing federal platform to drill a new well into California state waters? Does the state believe that it has the authority to require a platform operating in federal waters to cease operations as of a certain date? Does the state believe that the PXP model proposed at this site could also be used to access additional oil fields under state or federal waters?**

5. **Secretary Chrisman, at the committee's hearing on February 11th, a witness argues that additional oil drilling along the California coastline would help reduce natural oil seeps. Does the state agree with that argument?**

I oppose direct revenue sharing with states that is contingent on them opening their coastline to drilling, but I am in favor of using OCS revenue in a way that benefits all the states. How do your state governments feel about this issue?

6. **Secretary Chrisman, the committee has been told that California has more stringent environmental requirements for oil and gas production in state waters than the federal government has in other parts of the OCS. One of our witnesses at the February 11th hearing, for example, described how California requires operators to treat and dispose of drilling muds onshore, rather than disposing of them on the sea bottom. Could you provide a list of environmental requirements imposed by California that are not regularly imposed by the federal government?**

7. **Mr. Diers, you mention in your testimony that federal consistency authority under CZMA should be maintained, and states' authority should not be weakened. Do you feel there is any need to strengthen state consistency requirements with respect to offshore drilling and other offshore energy development?**

8. **Dr. Marvinney, the American Petroleum Institute recently put out a report entitled "Untapped Oil and Gas Resources," in which the authors develop what they call an "alternative resource case" by multiplying the amount of oil that MMS currently thinks is in the Atlantic Ocean—3.8 billion barrels—by 4.8, reflecting the increase in our known Gulf of Mexico resources since 1975. In your opinion as a professional geologist, is that a valid estimation?**

Response: The API analysis is a useful statistical exercise that may help to define the broad range of potential resources in the Atlantic. However, it is strictly a statistical analysis that must be tempered with geological realities. There are profound differences in the geology of the Gulf of Mexico and the geology of the Atlantic, and the north Atlantic, in particular. The first difference is in the nature and duration of sedimentation in the Gulf of Mexico. The Mississippi delta system has been operational for 10s of millions of years, bringing enormous amounts of sediment into the Gulf that trapped prolific organic material. The burden of sediment further weighted the crust, bringing this organic-rich sediment into temperature zones conducive for the development of oil and gas. Along the Atlantic seaboard, and particular the north Atlantic, there are no analogous, large-scale, long-duration deltaic systems. The exploration work of the 1970s and 1980s confirmed the lean organic nature of the sediments and their thermal immaturity.

The second major difference is in the nature of the mobile substrate beneath the oil-generating units in the Gulf of Mexico. Massive and thick salt sequences in the Gulf of Mexico beneath the oil-generating units have been mobilized by their buoyancy relative to the overburden materials, and have risen in salt diapirs that have provided avenues and traps for oil migration and accumulation. While there is salt in the Atlantic OCS, it is far less extensive, thinner, and subsequently less mobile, providing fewer opportunities for hydrocarbon accumulations.

The API analysis is interesting, but it is far more instructive to consider the hydrocarbon development history of nearby analogous areas. The Scotia Shelf off Nova Scotia has seen considerable exploration with the latest tools available. Since the discovery of the Sable Island gas field more than 30 years ago, very little has been added to the proven reserves of the shelf, in spite of extensive exploration. This is far more relevant to the potential for oil and gas reserves in the north Atlantic than the API statistical analysis.

9. **Dr. Marvinney, in the table you include in your testimony, showing the MMS estimates of economically recoverable oil from the Atlantic and Gulf of Mexico regions, it appears that at \$46 a barrel oil, about 80% of the undiscovered oil in the Gulf of Mexico is economically recoverable, while the figure in the Atlantic is only 58%. Is it accurate to say that not only is there more oil in the Gulf, but it's also more economical to get to?**

Response: This is probably a reflection of the greater potential for larger fields in the Gulf of Mexico compared to the Atlantic and also perhaps that there is support and processing infrastructure already in place.

10. **Dr. Marvinney, your testimony mentions a Maine company that constructed two offshore drilling platforms that were used internationally. Has this company been involved in constructing platforms to be used in U.S. waters, and if so, could you provide additional details of who has contracted those platforms and where they are to be deployed.**

This company is Cianbro, and information about their Amethyst Project at this website: <http://www.cianbro.com/CurrentProjects/PastHighProfileProjects/AmethystSemisubmersibleDrillingRigs/tabid/343/Default.aspx>

The two semi-submersible rigs that this corporation completed in Portland, Maine were subsequently deployed in deep water off Brazil. Large portions of these rigs were originally constructed in shipyards in Gulf of Mexico states, but those corporations were unable to meet their contractual obligations. Cianbro transported the pontoon assemblies and deck boxes to Maine where they were mated, completed, and taken on sea trials. Cianbro is currently constructing large components for use in a refinery expansion project in a Gulf of Mexico state. I do not know if Cianbro has constructed platforms for use in U.S. waters.

11. **Mr. Graves, Louisiana is the first state to receive money under the Coastal Impact Assistance Program. Please list the projects, along with a short description, that Louisiana is funding with that money? Also, please describe the state's experiences with the CIAP program, including any ways that the state believes it should be modified.**
12. **Mr. Graves, you mention an Ocean and Coastal Trust Fund in your testimony—a fund that would benefit all coastal states. You also call for additional revenue sharing with Louisiana specifically. What do you think the breakdown should be between money that goes specifically to Louisiana, and money that goes to a Trust Fund that benefits all the states?**
13. **Mr. Diers, in our February 25th hearing, Mr. Larry Nichols of the American Petroleum Institute states that the Coastal Zone Management Act “allows a state to block offshore activities that are inconsistent with its coastal zone management plan. That block can be removed only by the federal government through an arduous appeals process, which can be followed by litigation if the state disagrees with the federal government’s decision.” The implication of his statement seems to be that states possess all the authority they need now to effectively block drilling from happening off their shores. Do you believe that states have enough authority under CZMA to effectively block offshore activities? Is it clear enough what constitutes an “affected state” for the purposes of making consistency determinations for offshore energy siting under the CZMA?**
14. **Secretary Chrisman, could you provide the committee with an update on where California stands with the Coastal Impact Assistance Program—how close is the state to receiving funding through that program, and on what projects does the state expect to be using that funding on? Also, please describe the state's experiences with the CIAP program, including any ways that the state believes it should be modified.**
15. **To all panelists: Last September the House passed a bill that would have created a 50-mile buffer zone where drilling was not allowed, and then a 50-mile zone where states would get to decide where drilling**

was allowed. What are your states' opinions on the use of buffer zones, and do you believe that 50 miles, or some other distance, is appropriate?

Response: Given the geographic location of the Georges Bank, more than 100 miles from the coast of Maine, such buffer zones would do little to allay our concerns about fisheries impacts.

16. To Dr. Marvinney, State Geologist, Maine: In your testimony, you state that "the resources of the Gulf of Maine are most suitable to renewable energy development, with tidal and offshore wind power being the primary resources. Renewable wind power may provide manufacturing and support employment and contribute to a sustainable, secure energy future." To what extent is renewable energy production in conflict with oil and gas production?

Response: In terms of geography, there would be little conflict between the likely footprint of oil and gas activities and the likely footprint of renewable energy activities. The only real potential for oil and gas in the Gulf of Maine is on the Georges Bank, more than 100 miles from the Maine coast. The likely locations for wind power projects and tidal power projects are all within 50 miles of the Maine coast.

Response to questions submitted for the record by Hon. Frank W. Wagner, Senator, 7th District, Senate of Virginia

1. To Mr. Diers, Mr. Marvinney, and Mr. Wagner: One of the concerns raised by those who are not supportive of new offshore drilling, particularly along the East Coast, is what role neighboring states would have in drilling decisions. For example, hypothetically, if New Hampshire wanted to allow drilling off its coastline, what kind of say should Maine or Massachusetts have on that? Are existing Coastal Zone Management Act provisions adequate to protect coastal states interests? Or is there a need for a new regional approach on these decisions, similar to what Mr. Diers mentioned in his testimony?

Response to Question 1:

I believe the Administrative Process for lease sales under the current structure allows more than ample opportunity for bordering states to address their concerns.

I have been involved in actions to date regarding Virginia's inclusion in the Department of the Interior's MMS five-year plan. In the course of this very deliberate process, I have attended public hearings as far away as New Jersey. Comments and concerns were solicited and received not just from Virginia and bordering states, but indeed all over the nation.

I will also bring to the Committee's attention that Canada did not come to Ohio, Michigan or Pennsylvania for the 2,000 gas wells in Lake Erie; nor did they include Maine or any other New England states prior to the major offshore operation off of Nova Scotia and their major oil fields off the coast of Newfoundland.

In a similar manner, Cuba is not seeking Florida's position on their development of Gulf of Mexico hydrocarbon deposits.

Look only to the Gulf of Mexico to see how thoroughly and effectively the existing Administrative Process is working for Texas, Louisiana, Alabama and Mississippi.

2. To all panelists: A number of legislative proposals regarding the Outer Continental Shelf have proposed that any new revenues that accrue as a result of new offshore oil and gas activity be shared with the States, as is now the case with the Gulf of Mexico States. At the hearing, Congressman Farr suggested the formation of an Oceans Trust Fund, while Congressman Rohrabacher suggested giving revenues directly to coastal communities to allow them to address local needs, such as reducing urban runoff and repairing sewers, although it was not clear whether only communities that have drilling off their shores should be provided with funding to address those needs, or if all communities should have access to such funding, regardless of the proximity of offshore drilling. Please provide the positions of your state governments regarding the best use of any potentially shared offshore revenue: would you prefer an Oceans Trust Fund model that provided revenue nationally to address ocean issues, a revenue sharing model that only included states or communities that have offshore drilling off their shores, a revenue sharing model that provides shared revenues directly to states and coastal communities regardless of whether they have drilling off their shores, or another model entirely? Also, are there any analogous revenue sharing

programs that Congress should look at as good models for how to move forward, should we decide to increase the amount of OCS revenues shared with states and local communities?

Response to Question 2:

With regards to revenue sharing, I suggest that the best method is a direct appropriation back to the state and coastal communities.

The Committee may also want to consider a hybrid where the states receive directly 50% of the revenue share and the two adjacent states split the other 50% of the revenue share.

I believe the states and the local communities are in the best position, and need the flexibility, to apply the funding to their specific needs.

For example, Louisiana has used the majority of their entire revenue share to restore the critical Mississippi delta habitat. That obviously is not a problem in Virginia. However, cleaning up and restoring the Chesapeake Bay is our number one environmental problem. We have pressing commitments (the majority of which are unfunded) to upgrade our sewage treatment plants, improve storm water run-off quality and act more aggressively to address our non-point source pollution problems.

One piece of legislation considered by the General Assembly in anticipation of royalties would have allocated 40% of all funds to clean up the Chesapeake Bay, 40% to transportation (there is a direct correlation between congestion and pollution), 10% for tax credits/deductions for improvements in energy efficiency and 10% for renewable energy research and development.

3. To all panelists: Do you believe that states have an adequate role in the current MMS offshore leasing planning process? Or is there any way that you would like to see the states roles strengthened?

Response to Question 3:

Having been part of the Administrative Process for the Department of the Interior's current five-year plan, it has been my observation that MMS has listened carefully and addressed many of Virginia's concerns with regards to the planned lease sale.

As an example, Virginia has asked for, and MMS has agreed to, a 50-mile restriction of any activity from our coastline. MMS has held public hearings to listen to the concerns of not just political leaders, but all interested parties and citizen groups.

Furthermore, there is active state and local participation in all NEPA applications for exploratory and production drilling permits. Therefore, I believe the existing system more than adequately takes in the concerns of state and local governments.

15. To all panelists: Last September the House passed a bill that would have created a 50-mile buffer zone where drilling was not allowed, and then a 50-mile zone where states would get to decide where drilling was allowed. What are your states' opinions on the use of buffer zones, and do you believe that 50 miles, or some other distance, is appropriate?

Response to Question 15:

Throughout my involvement as a politician, most of the major objections to offshore drilling have come from waterfront residents, who have been given the impression that platforms will be built in their backyards. These residents and hotel guests do not want, naturally, giant platforms erected right off shore that spoil the view shed. If sightline becomes an issue, a 15-mile buffer would take care of this objection, as the eye's view only extends approximately 7 miles.

In Virginia, I negotiated with the Governor's office on an appropriate buffer. Because there is nothing of geological significance within 50 miles of the shore, it was quite easy for me to cede this point in order to get other language in my bill creating the Virginia Energy Plan.

However, this is not the case in all areas. Significant offshore deposits in California, Louisiana and Texas are within a few miles of the coast. But, thanks to new directional drilling techniques, these reserves could be tapped while keeping production platforms out of the view shed.

Thus, it would be my recommendation that a 15-mile buffer be established for any production platform and further, no exploratory drilling ships should be sited within 3 miles of the coast. These buffers will allow full access to all potential reserves while ensuring that no permanent structure is within the view shed of the coastline.