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TESTIMONY SUBMITTED TO THE HOUSE SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES BY GOV. JOHN HOEVEN OF NORTH DAKOTA

REPRESENTING THE INTERSTATE OIL AND GAS COMPACT COMMISSION
JULY 8, 2004

I congratulate the House Subcommittee on Energy and Mineral Resources for focusing on this complex manpower issue that threatens the country's ability to produce the oil and natural gas found within our own borders. Much of the manpower shortage is immediate, and some is longer term – well beyond the election cycles which usually define initiatives. You are to be commended for taking this longer term look.

I began looking at this issue three years ago when the Interstate Oil and Gas Compact Commission (IOGCC) issued its first warning about the coming shortage of petroleum professionals. We have seen a slight increase during the last year in students entering these professions, but given the dramatic rates of pending retirements, it is not enough.

Most of the public discussion of energy policy has focused on issues ranging from increased supply to upgrading distribution and refining capabilities. Lost in those discussions is a key element that would make them possible, and that is manpower --- human resources, personnel.

These jobs are important because we produce 85% of the natural gas we consume, importing about 14% from Canada and the remainder as LNG from other countries. Likewise, these jobs contribute to the production of more than 40% of the oil we consume. This is a vital US industry, dominated by small companies and it needs a trained, productive workforce. The energy consumers of the nation need a trained, productive petroleum workforce.

There is a growing shortage of qualified workers in the industry today and that dilemma will require the combined efforts of the public and the private sectors to address. Without solving this problem, any plan to increase domestic supplies of natural gas and oil will be difficult to implement. The oil business is well recognized as a "boom and bust" industry. While consumers see its effects in the costs of gasoline and heating their homes, for the people who work in the industry, it has meant loss of jobs. Since 1982, the industry has lost more than half a million of those jobs – from roughnecks to engineers.

Even now, with higher natural gas and oil prices, many former oilfield workers are electing to take jobs in industries perceived as more stable or higher tech. And that's part of the problem: perception. Many jobs in today's petroleum industry are on the cutting edge of technology, innovation and vitality. The perception that the domestic industry is dying a slow, low-tech death must be countered by the reality of its vibrancy and growth as a technology-rich industry.

The fact is that high school and college students are looking to other industries and professions for their career choices. There are not enough up and coming petroleum geologists and engineers to fill the jobs required to produce more oil and gas for our future.

The impact is tangible. In North Dakota, for example, a drilling company recently moved five previously mothballed rigs into the Williston Basin only to find it couldn't find crews. In another instance, a well-publicized, five-state search for compressor mechanics resulted in one applicant. Many other states have experienced the same kinds of manpower problems.

In 2001, the IOGCC published a report entitled Human Resources: The Missing Piece of the Energy Puzzle. Authored by Dr. William Fisher of the University of Texas and Sarah J. Seals, It recommends that government and industry work together to address this issue. It's a problem that's only going to get worse without immediate and long-term solutions. For example, the National Petroleum Council reported in 1999 that more than 40% of the industry's scientific work force would retire this decade. With the labor shortage

promising to get worse, it is critical to meet this problem head on as soon as possible.

The report also suggested the creation of a Blue Ribbon Task Force. I appointed such a group, which comprised very knowledgeable individuals. Their charge was to come up with a proactive model that moved beyond defining the problem to identifying possible solutions.

With me today I have advance copies of the IOGCC's latest manpower publication, The Petroleum Pros. This publication not only identifies and quantifies the issue, but also provides templates for action by three critical constituencies: state government, including universities and governors' offices; federal government; and industry. Only by these three groups working together can this problem be addressed in a meaningful manner.

The templates are outlined in this publication, and due to the limit on time for oral comments, I will focus only on steps the federal government can take. I encourage you, however, to review this report, because there are significant roles for both the states and industry in addressing the manpower issue.

Some key points the Task Force has recommended:

- Make Federal funding available for pilot programs to solve the manpower shortages. The states have a variety of opportunities that could benefit from Federal funding that helps match up labor needs with labor supplies. This is a natural place to start.
- Assign an individual from the appropriate Federal agency to work directly with the IOGCC on a long term basis to address the labor shortage problem. Until this problem becomes a focus of an appropriate federal agency, there will be a great deal of confusion, overlapping effort or inattention – none of which moves us toward a solution.
- Engage federal field offices to provide on-the-ground assistance in designing effective training and recruiting efforts. I believe this is important if we can have a more immediate impact on the problem.
- Create internships within Federal departments for those in petroleum engineering and geosciences graduate and undergraduate programs. This small but symbolic statement by the Federal government would help provide the leadership that demonstrates a commitment to those professions we know are critical to our energy and national security.

It is clear that addressing the manpower issue is an opportunity for states, the Federal government and industry to each contribute to a long term solution. Those contributions may come in the form of legislative initiatives, which the states are prepared to discuss, or other opportunities to further fashion public policy that furthers our energy security. If the IOGCC or I can be of additional assistance, we would welcome further involvement.