Statement of
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Oversight Hearing on the FY 2012 Energy and Minerals Budget Request
Of the Bureau of Land Management

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2012 energy and minerals budget request for the Bureau of Land Management (BLM).

The BLM, an agency of the U.S. Department of the Interior (DOI), is responsible for protecting the resources and managing the uses of our nation's public lands, which are located primarily in 12 western States, including Alaska. The BLM administers more land – over 245 million surface acres – than any other Federal agency. The BLM also manages approximately 700 million acres of onshore subsurface mineral estate throughout the Nation.

Meeting Our Nation's Needs

The BLM is a sound investment for America. Management of public land resources and protection of public land values results in extraordinary economic benefits to local communities and to the Nation. The BLM's management of public lands contributes more than $100 billion annually to the national economy and supports more than 500,000 American jobs. Energy and mineral resources generate the highest revenue values of any uses of the public lands from royalties, rents, bonuses, sales and fees. Revenues generated from the public lands make the BLM one of the top revenue-generating Federal agencies, positively affecting the U.S. Treasury, and directly benefiting the U.S. taxpayer.

A key component of these economic benefits is the BLM's contribution to America's energy portfolio. The BLM expects its onshore mineral leasing activities to contribute $4.3 billion to the U.S. Treasury in Fiscal Year 2012. The BLM currently manages more than 38 million acres of oil and gas leases, although only 43 percent of that acreage is currently in production. More than 114 million barrels of oil were produced from BLM-managed mineral estate in Fiscal Year 2010 (the most since Fiscal Year 1997), and the almost 3 billion MCF (thousand cubic feet) of natural gas produced made 2010 the second-most productive year of natural gas production on record.

The coal produced from nearly a half million acres of federal leases powers more than one-fifth of all electricity generated in the United States. To underscore the Administration's commitment to the goals of energy security and job creation, the BLM on March 22 announced four lease sales and four future records of decision for coal tracts in Wyoming's Powder River Basin. The estimated total tonnage for the eight coal tracts is 2.3 billion tons of coal, which is estimated to generate $13.4 billion to $21.3 billion in revenue over the life of the leases.

The BLM is also leading the nation toward the new energy frontier with active solar, wind, and geothermal energy programs. The BLM has proposed 24 Solar Energy Zones within 22 million acres of public lands identified for solar development, and in 2010 approved nine large-scale solar energy projects. These projects total more than 3,600 megawatts of electricity, enough to power close to 1 million homes, and could create thousands of construction and operations jobs. Development of wind power is also a key part of our nation's energy strategy for the future. The BLM manages 20 million acres of public lands with wind potential and there is currently 437 MW of installed wind power capacity on the public lands. Geothermal energy development on the public lands, with an installed capacity of 1,275 MW, accounts for nearly half of U.S. geothermal energy capacity.

FY 2012 Budget Overview

The BLM's FY 2012 energy and minerals budget proposal reflects the Administration's effort to maximize public benefits while recognizing the reality of funding constraints and the need to reduce the Nation's budget deficit. The proposed budget for the BLM makes a strategic investment in support of the New Energy Frontier, an important Administration and Secretarial Initiative. Investment in this program today will reap benefits for years to come.

The BLM's total FY 2012 budget request is $1.13 billion in current authority, one percent and $12.0 million below the 2010 enacted/2011 continuing resolution level. The budget proposes $933.8 million for the Management of Lands and Resources Appropriation and $112.0 million for Oregon and California Grant Lands Appropriation, the BLM's two main operating accounts. This represents a net decrease of $25.3 million for these two accounts from the FY 2010 enacted/2011 CR level. While making strategic program increases of $93.3 million for high-priority initiatives, the budget offsets funding increases for these priorities with $25.5 million in administrative and management savings, shifting $42.4 million in energy and minerals inspection costs to industry, and reducing funding for lower priority programs. The budget also includes several important legislative proposals, including proposals to change the management of hardrock mining, collect fees to be used to remediate abandoned mines, charge a fee on new nonproducing oil and gas leases to encourage diligent development, and extend the Federal Land Transaction Facilitation Act and Service First authorities. This testimony focuses on the BLM's energy and mineral resources program.

New Energy Frontier

The 2012 budget continues the Department's New Energy Frontier initiative to create jobs, reduce the Nation's dependence on fossil fuels and oil imports, and reduce carbon impacts. The New Energy Frontier initiative recognizes the value of environmentally-sound, scientifically-grounded development of both renewable and conventional energy resources on the Nation's public lands. Facilitating renewable energy development is a major component of this strategy along with effective management of conventional energy programs. The proposed FY 2012 budget for the BLM follows this approach and includes priority funding for both renewable and conventional energy development on the public lands.

***Renewable Energy* –** President Obama, Secretary Salazar, and the Congress have stressed the critical importance of renewable energy to the future of the United States. Developing renewable energy resources is central to the Nation's efforts to reduce greenhouse gas emissions, mitigate climate change, and protect the global environment. Renewable energy is also vital to our economic development and energy security. Developing renewable energy will create jobs and promote innovation in the United States while reducing the country's reliance on fossil fuels.

The BLM made significant strides in promoting responsible renewable energy development on the public lands in 2010. The BLM has approved projects that, when built, will generate approximately 4,000 megawatts of energy, including the approval of nine large-scale solar energy projects, and release of a draft Solar Programmatic EIS to provide for landscape-scale siting of solar energy projects on the public lands. BLM-managed lands also serve as important corridors for the transmission infrastructure needed to deliver renewable energy to the American people.

The BLM continues work on developing a balanced portfolio of renewable energy projects on public lands in 2011. We recently announced our 2011 priority projects list, which includes 19 renewable energy projects (nine solar, five wind, and five geothermal). The projects are part of the Administration's efforts to diversify the Nation's energy portfolio in an environmentally responsible manner. The nine solar projects' potential output is about 2,600 megawatts, the five wind projects total about 1,000 megawatts of potential output, and the five geothermal projects total about 490 megawatts of potential output. The BLM has already made progress on these projects, approving a geothermal project in Nevada in early March.

To encourage and facilitate renewable energy development, the President's FY 2012 budget for the BLM proposes $19.7 million, a $3.0 million increase over the FY 2010 enacted/2011 CR level. The increase will be used to conduct site specific studies of potential solar energy sites in Nevada, and regional studies of potential wind energy zones in Nevada and Oregon. Additionally, the FY 2012 budget proposes transferring $16.7 million from the Realty and Ownership Management Activity to a new Renewable Energy Management subactivity in the Energy and Minerals Management activity. This will allow the BLM to more effectively track and monitor spending for these high-profile activities, and also emphasize the importance of these efforts.

Conventional Energy – While we work to develop renewable energy sources, domestic oil and gas production remain critical to our nation's energy supply and to reducing our dependence on foreign oil. Secretary Salazar has emphasized that conventional energy resources on BLM-managed lands play a critical role in meeting the Nation's energy needs. In 2010, conventional energy development from public lands produced 43 percent of the Nation's coal, 14.1 percent of the natural gas, and 5.7 percent of the domestically produced oil. The Department's balanced approach to responsible conventional energy development combines onshore oil and gas policy reforms with effective budgeting to provide appropriate planning and support for conventional energy development, which has been the target of increased appeals and protests.

The BLM is committed to ensuring oil and gas production is carried out in a responsible manner. To accomplish this, the BLM performs various types of inspections, to ensure that lessees meet environmental, safety, and production reporting requirements. The BLM has begun a pilot program using a risk-based inspection protocol for production inspections, inspecting first those leases with high levels of oil or gas production. The BLM plans to expand this risk-based strategy to the other types of inspections it performs. The risk-based strategy will help the BLM maximize the efficient use of inspection staff to better meet the inspection goals and requirements in the future.

The Fiscal Year 2012 budget request essentially maintains the BLM oil and gas program capacity at the FY 2010 enacted/2011 CR level. An increase of $13.0 million is proposed to offset a projected decline in the fees for processing applications for permits to drill (APD) oil and gas on the public lands; and a reduction of $3.0 million is proposed to reflect the completion of an energy study required by the Energy Policy Conservation Act of 2000 (EPCA). The budget also includes an increase of $2.0 million to improve air quality monitoring associated with intensive oil and gas development. This funding will help the BLM ensure that the energy development complies with NEPA and Clean Air Act requirements and aids the BLM in minimizing or addressing potential litigation issues.

The Administration believes that American taxpayers should get a fair return on the development of energy resources on their public lands. A 2008 Government Accountability Office (GAO) report suggests that taxpayers could be getting a better return from Federal oil and gas resources in some areas. Subsequent GAO reports have reiterated this conclusion. The BLM and the Bureau of Ocean Energy Management, Regulation, and Enforcement are cooperating to conduct an international study of oil and gas revenues under different management regimes. The study should be completed and published later this year. To this end, the Administration proposes to implement the following reforms:

- In 2012 the BLM will begin to charge a fee to recover inspection costs for the oil and gas program, allowing a savings of $38 million in requested funding. The fee would defray Federal costs and ensure continued diligent oversight of oil and gas production on Federal lands. Fee levels would be based on the number of oil and gas wells per lease so that costs are shared equitably across the industry.
- To encourage diligent development of new oil and gas leases, the Administration is proposing a per-acre fee on each nonproducing lease issued after enactment of the proposal. The $4 per acre fee on new non-producing Federal leases would provide a financial incentive for oil and gas companies to either put their leases into production or relinquish them so that tracts can be re-leased and developed by new parties.
- The BLM will propose a rulemaking in 2011 to increase the onshore oil and gas royalty rate from its current 12.5 percent level. The BLM expects that the royalty rate increase will increase oil and gas revenues by more than $900 million over 10 years.

Abandoned Mines & Hardrock Mining Reform Proposals

The budget proposes legislation to address abandoned mine land (AML) hazards on Federal, State, Tribal, and private lands and to provide a fair return to the taxpayer from hardrock production on Federal lands. The first component of this proposal addresses abandoned hardrock mines across the country through a new AML fee on hardrock production. Just as the coal industry is held responsible for abandoned coal sites, the Administration proposes to hold the hardrock mining industry responsible for abandoned hardrock mines. The proposal will levy an AML fee on all uranium and metallic mines on both public and private lands that will be charged on the volume of material displaced after January 1, 2012. The fee will be collected by the Office of Surface Mining, while the receipts will be distributed by BLM. Using an advisory council comprised of representatives of Federal agencies, States, Tribes, and non-government organizations, the BLM will create a competitive grant program to restore the Nation's most hazardous hardrock AML sites each year. The advisory council will recommend objective criteria to rank AML projects to allocate funds for remediation to the sites with the most urgent environmental and safety hazards. The proposed hardrock AML fee and reclamation program would operate in parallel to the coal AML reclamation program, as two parts of a larger proposal to ensure that the Nation's most dangerous coal and hardrock AML sites are addressed by the industries that created the problems. The 2012 BLM budget request also includes an increase of $4.0 million in regular discretionary appropriations to address high priority AML sites, such as the Red Devil mine in Alaska.

The second piece of the legislative proposal would institute a leasing process under the Mineral Leasing Act of 1920 for certain minerals (gold, silver, lead, zinc, copper, uranium, and molybdenum) currently covered by the General Mining Law of 1872. After enactment, new claims for mining these metals on Federal lands would be governed by a leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the receipts would be distributed to the States in which the leases are located and the remaining half would be deposited in the U.S. Treasury. Pre-existing mining claims would be exempt from the change to a leasing system, but would be subject to increases in the annual maintenance fees under the General Mining Law of 1872. However, holders of existing mining claims for these minerals could voluntarily convert their claims to leases. The Office of Natural Resources Revenue in the Department of the Interior will collect, account for, and disburse the hardrock royalty receipts.

<u>Reductions & Efficiencies</u>

The BLM's Fiscal Year 2012 budget proposal reflects many difficult choices to produce a cost-conscious budget, while supporting priority initiatives and maximizing public benefits. The budget request also includes reductions that reflect the Accountable Government Initiative to curb non-essential administrative spending in support of the President's commitment to fiscal discipline and spending restraint.

Conclusion

The BLM's Fiscal Year 2012 budget request for energy and minerals programs provides funding for the agency's highest priority energy and minerals initiatives, while making difficult but responsible choices for reductions to offset some of these funding priorities. This budget request reflects the Administration's commitment to encourage responsible energy development on the public lands, as well as ensure the American people receive a fair return for the public's resources. Mr. Chairman, thank you for the opportunity to testify on the BLM budget request for Fiscal Year 2012. I will be pleased to answer any questions you may have.