



HOUSE COMMITTEE ON
NATURAL RESOURCES
RANKING MEMBER BRUCE WESTERMAN

To: House Committee on Natural Resources Republican Members
From: Subcommittee on Energy and Mineral Resources Republican Staff; Ashley Nichols
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Date: January 17, 2022
Subject: Oversight Hearing: “*What More Gulf of Mexico Oil and Gas Leasing Means for Achieving U.S. Climate Targets*”

On **Thursday, January 20, 2022, at 12:00 p.m. EST, in 1324 Longworth House Office Building and online via Cisco WebEx**, the Subcommittee on Energy and Mineral Resources will hold an oversight hearing titled, “*What More Gulf of Mexico Oil and Gas Leasing Means for Achieving U.S. Climate Targets.*”

Member offices are requested to notify Ashley Nichols no later than **Wednesday, January 19, at 4:30 p.m. EST**, if their Member intends to participate via his/her laptop in the committee room or remotely from another location. Submissions for the hearing record must be submitted through the Committee’s electronic repository at HNRCDocs@mail.house.gov. Please contact David DeMarco (David.DeMarco@mail.house.gov) or Everett Winnick (Everett.Winnick@mail.house.gov) should any technical difficulties arise.

I. KEY MESSAGES

- Halting offshore oil and gas development in the U.S. will actually result in higher emissions overall, as oil and gas demand is projected to rise in the coming decades and would be met by increasing imports, likely from nations with inferior environmental standards.
- Offshore oil and gas production in the Gulf of Mexico yields significantly lower levels of emissions than oil and gas produced in other regions and emissions have been steadily declining in recent years due to technological innovation.
- As the owner of the Outer Continental Shelf (OCS), the federal government is charged with managing more than 1.7 billion acres of offshore lands.¹ The Bureau of Ocean Energy Management (BOEM) at the Department of the Interior (DOI) is responsible for managing offshore oil and gas lease sales and regulating air quality in the Central and Western Gulf of Mexico and offshore the North Slope Borough of Alaska. The Trump administration recently updated air quality regulations in 2020.

¹ Laura B. Comay, *Five Year Program for Federal Offshore Oil and Gas Leasing: Status and Issues in Brief*, (CRS R44692), (Congressional Research Service, Washington, DC), 3, March 31, 2017.



II. WITNESSES

- Mr. Lucian Pugliaresi, President, Energy Policy Research Foundation [*Republican Witness*]
- Dr. Kristina Dahl, Senior Climate Scientist, Union of Concerned Scientists
- Mr. Max Sarinsky, Senior Attorney, Institute for Policy Integrity, New York University School of Law
- Dr. Beverly Wright, Executive Director, Deep South Center for Environmental Justice

III. BACKGROUND

BOEM Air Quality Regulations

The Outer Continental Shelf Lands Act (OCSLA) provides the Department of the Interior (DOI) with the authority to regulate offshore emissions in the Central and Western Gulf of Mexico and offshore in the North Slope Borough of Alaska.² All other areas of the OCS are regulated by the Environmental Protection Agency (EPA). OCSLA states that the Secretary of the Interior must issue regulations to ensure compliance with the national ambient air quality standards (NAAQS) “to the extent that activities authorized under this subchapter significantly affect the air quality of any State.”³ Additionally, DOI’s regulatory authority under OCSLA is focused on the six criteria air pollutants for which EPA has defined NAAQS, which are Sulfur Dioxide, Nitrogen Oxide, Carbon Monoxide, Lead, Ozone and Particulate matter (PM2.5 and PM10).

In 2016, the Obama administration issued a proposed rule that would have significantly expanded DOI’s offshore air regulations beyond the legal scope originally envisioned by Congress.⁴ Proposed provisions included regulating emissions of mobile support craft, measuring emissions from the state seaward boundary, and requiring some offshore operations to report on combined facility operations.⁵ The Trump administration made changes to the proposed rule to ensure that it abides by the strict guidelines provided in OCSLA.⁶ The final rule, published in 2020, ensures compliance with the NAAQS standards, updates the significant levels table based on values set forth by the EPA, clarifies that emission exemption thresholds apply to both Development and Production Plans (DPPs) and Development Operations Coordination Documents (DOCDs), creates new requirements regarding PM2.5 and PM10 pollution, and updates the Office of Management and Budget’s air quality spreadsheets for operators to use for operations within BOEM’s jurisdiction.⁷

Offshore Leasing Under the Biden Administration

President Biden’s Executive Order 14008 imposed an indefinite pause on new oil and gas leasing “pending completion of a comprehensive review.”⁸ This action resulted in the cancellation of Gulf of

² 43 U.S.C. §§1331-1356.

³ 43 U.S.C. §§1334.

⁴ Domonoske, *Obama Administration Issues New Rules for Offshore Drilling*, NPR (April 15, 2016), <https://www.npr.org/sections/thetwo-way/2016/04/15/474334543/obama-administration-issues-new-rules-for-off-shore-drilling>.

⁵ *Id.*

⁶ U.S. Department of the Interior, Bureau of Ocean Energy Management, Overview of Air Quality Regulations, <https://www.boem.gov/overview-air-quality-regulations>

⁷ U.S. Federal Register, U.S. Department of the Interior, Bureau of Ocean Energy Management, *Air Quality Control, Reporting and Compliance*, [Docket ID: BOEM-2018-0038], <https://www.boem.gov/sites/default/files/documents/about-boem/85-FR-34912.pdf>

⁸ Exec. Order 14008, 86 Fed. Reg. 19, 7619 (Jan. 27, 2021).

Mexico Oil and Gas Lease Sale 257 and Planned Lease Sales 259 and 261, delaying critical revenues to coastal restoration efforts on the Gulf Coast.⁹ On June 15, 2021, the U.S. District Court for the Western District of Louisiana issued a nationwide preliminary injunction on the Biden administration’s “pause” on new oil and gas leasing.¹⁰ Through the preliminary injunction, the Court acknowledged the injury caused by the “pause,” noting millions of dollars at stake.¹¹ After an eight-month delay, BOEM finally held lease sale 257,¹² which generated \$191 million in bonus bids,¹³ indicating significant interest in continued oil and gas development on the OCS. Although the Biden administration indicated it will nominally comply with the court’s directive, DOI appealed the injunction,¹⁴ and continues to delay scheduling additional lease sales.

BOEM “Five Year Plan”

BOEM manages the National OCS Oil and Gas Leasing Program, which establishes a schedule of oil and gas lease sales over a period of 5 years (often referred to as the “5-year plan”). BOEM is currently working under the 2017-2022 National OCS Program developed under the Obama administration. In April of 2017, President Trump directed BOEM to develop a new National OCS Program for 2019 to 2024 in order to expand offshore oil and gas production.¹⁵ The draft proposed program (DPP), released on January 4, 2018, proposes 47 offshore lease sales throughout the Alaskan, Pacific, Gulf of Mexico, and Atlantic OCS regions.¹⁶ The current leasing plan put into effect under President Obama includes 11 lease sales but the Biden administration has delayed implementation of the program, as discussed in the previous section.

Revenue Sharing

Until the enactment of the Gulf of Mexico Energy Security Act (GOMESA) in 2006, the federal government received all revenues generated from oil and gas development on the OCS. Under GOMESA, Gulf producing states receive 37.5 percent of all qualifying OCS revenues, with 20 percent of each state’s share dedicated to “coastal political subdivisions.”¹⁷ This revenue stream provides significant funding for coastal restoration projects on the Gulf Coast. For example, offshore lease sales in the Gulf of Mexico generated over \$407 million in bonus bids in 2019, a portion of which was disbursed to Louisiana, Alabama, Texas, and Mississippi for coastal conservation projects.¹⁸

⁹ 2017-2022 Lease Sale Schedule. Bureau of Ocean Energy Management. <https://www.boem.gov/2017-2022-lease-sale-schedule>

¹⁰ State of Louisiana et al. VERSUS Joseph R. Biden, Jr. et al. Case no: 2:21-CV-00778. United States District Court Western District of Louisiana Lake Charles Division. Filed June 15, 2021, <https://www.bloomberglaw.com/public/desktop/document/LouisianaetalvBidenetalDocketNo221cv00778WDLMar242021CourtDocket/6?1623794815>

¹¹ Id.

¹² Bureau of Ocean Energy Management. BOEM Rescinds Record of Decision for Gulf of Mexico Lease Sale. February 12, 2021, <https://www.boem.gov/boem-rescinds-record-decision-gulf-mexico-lease-sale>

¹³ Bureau of Ocean Energy Management. Gulf of Mexico Lease Sale Results Announced. November 17, 2021, <https://www.boem.gov/newsroom/press-releases/gulf-mexico-lease-sale-results-announced>.

¹⁴ Valerie Volcovici. “Biden administration appeals federal court decision to block oil, gas leasing pause.” Reuters. August 16, 2021, <https://www.reuters.com/world/us/biden-administration-appeals-federal-court-decision-block-oil-gas-leasing-pause-2021-08-16/>.

¹⁵ US Bureau of Ocean Energy Management. National OCS Oil and Gas Leasing Program. <https://www.boem.gov/National-OCS-Program/>

¹⁶ US Bureau of Ocean Energy Management. 2019-2024 National Outer Continental Shelf Oil and Gas Leasing. Draft Proposed Program. January 2018. <https://www.boem.gov/NP-Draft-Proposed-Program-2019-2024/>

¹⁷ Bureau of Ocean Energy Management. Gulf of Mexico Energy Security Act (GOMESA). <https://www.boem.gov/oil-gas-energy/energy-economics/gulf-mexico-energy-security-act-gomesa>.

¹⁸ Office of Natural Resources Revenue. Query data, <https://revenue.data.doi.gov/query-data>.

The Role of U.S. Offshore Oil and Gas in Net Emissions Reductions

Committee Democrats have introduced several bills to halt offshore leasing in specific planning areas in pursuit of their stated climate goals. President Biden has issued several Executive Orders aimed at achieving a net-zero emissions economy and sought to halt offshore leasing as a means of reaching the Biden administration's emissions targets.¹⁹ However, stopping new oil and gas leasing in the Gulf of Mexico would actually *increase* net global emissions, due to a resulting increase in imports to make up the difference in supply.

In fact, the Obama administration reached this conclusion in 2016. According to BOEM's report on emissions and the social cost of carbon associated with oil and gas production on the OCS, "U.S. [greenhouse gas] GHG emissions would be higher if BOEM were to have no lease sales... Emissions from substitutions are higher due to exploration, development, production, and transportation of oil from international sources being more carbon intensive."²⁰

Overall, oil and gas development in the Gulf of Mexico produces a lower level of emissions than other locations. This region yields only 53 percent of the carbon intensity per barrel compared to other basins.²¹ Similarly, in the multi-sale Environmental Impact Statement for the 2017-2022 OCS leasing plan, BOEM found that "the incremental contribution from a proposed lease sale would be very small and would not on their own cause an exceedance [of federal ozone level standards]."²² The region has also displayed steady declines in emissions over the past several years, with the carbon dioxide equivalent decreasing 8.3 percent in intensity over the 2011-2019 period.²³

Global Energy Demand and the Role of American Production

The reality is that hydrocarbons will be required by global markets for the foreseeable future. Global energy consumption is predicted to rise 50 percent by 2050,²⁴ and conventional energy resources are the most effective and lowest-cost option to meet that demand. While renewable energy is a growing sector in the worldwide energy mix, today's technology is simply not able to supply enough power at low enough costs to sustain the population. Even in a best-case scenario of rapid advancement, renewables like solar and wind are intermittent sources of energy that require baseload power and vast amounts of battery storage to provide reliable power during peak demand periods.²⁵ Even from a practical standpoint, these policy goals seem largely unachievable in the timelines laid out by this administration

¹⁹ Executive Order 14057 (December 8, 2021).

²⁰ U.S. Department of the Interior. Bureau of Ocean Energy Management, "OCS Oil and Natural Gas: Potential Lifecycle Greenhouse Gas Emissions and Social Cost of Carbon," November 2016, <https://www.boem.gov/sites/default/files/oil-and-gas-energy-program/Leasing/Five-Year-Program/2017-2022/OCS-Report-BOEM-2016-065---OCS-Oil-and-Natural-Gas---Potential-Lifecycle-GHG-Emissions-and-Social-Cost-of-Carbon.pdf>.

²¹ Ama Motiwala and Dr. Huzeifa Ismail, Chirality Research Inc, "Statistical Study of Carbon Intensities in the GOM and PB," April 13, 2020, <https://chemrxiv.org/engage/chemrxiv/article-details/60c749d20f50db4b6c39696c>.

²² U.S. Department of the Interior, Bureau of Ocean Energy Management, Gulf of Mexico OCS Oil and Gas Lease Sales: 2017-2022," March 2017, <https://www.boem.gov/sites/default/files/environmental-stewardship/Environmental-Assessment/NEPA/BOEM-EIS-2017-009-v1.pdf>.

²³ Mark Oberstoetter and Mfon Usoro, "Could restricting oil production in the US Gulf of Mexico lead to carbon leakage?" April 12, 2021, WoodMackenzie, <https://www.woodmac.com/news/opinion/could-restricting-oil-production-in-the-us-gulf-of-mexico-lead-to-carbon-leakage/>.

²⁴ Courtney Sourmehi U.S. Energy Information Administration, "EIA projects nearly 50% increase in world energy use by 2050, led by growth in renewable", October 7, 2021, <https://www.eia.gov/todayinenergy/detail.php?id=49876>

²⁵ Herman K. Trabish, "Battery energy storage is getting cheaper, but how much deployment is too much?" Utility Dive, June 30, 2020, <https://www.utilitydive.com/news/battery-energy-storage-is-getting-cheaper-but-how-much-deployment-is-too-m/579183/>.

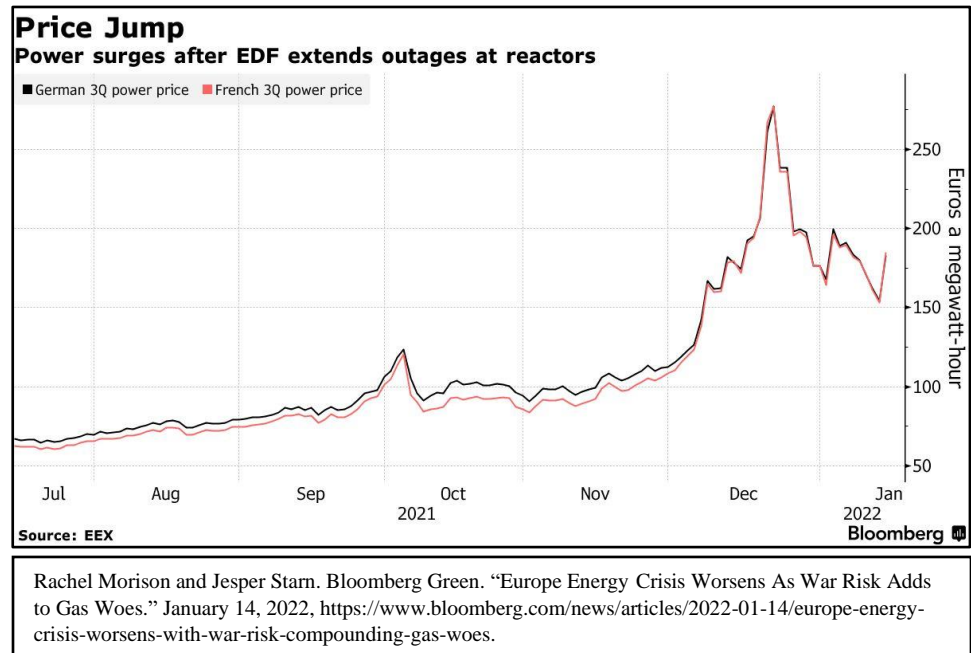
and international bodies like the United Nations. Europe, for example, has spent years actively shutting down coal plants and nuclear reactors in exchange for wind and solar production, but is trailing far behind its self-imposed targets. Despite the concerted effort of multiple countries, Europe is projected to hit its 2030 goal of 55 percent GHG reductions in 2051.²⁶

It is apparent that political will to increase the share of renewables and stymie oil and gas development does nothing to stop demand for those resources, because demand for energy is inflexible and rising.²⁷ Forcing a major market change before alternative energy sources can deliver sufficient power will merely exacerbate the energy shortage we are experiencing today.

Increased energy costs are impacting economies across the world, stressing households already under

pressure from the highest U.S. inflation in 40 years.²⁸ The situation in Europe can now accurately be described as a crisis, with the combination of the cold winter and threats of military action in Ukraine forcing up natural gas prices.²⁹ The scenario is so grim that on January 14, 2022, the French government asked its largest utility to sell power at a loss totaling \$8.8 billion, crashing the stock price of the company, risking ongoing shortages of several nuclear reactors, and throwing Germany's power supply into greater uncertainty as well.³⁰

In short, the desire to force a so-called "transition" away from oil and gas could spell major consequences for both domestic and international energy markets. If demand for affordable energy is not met by American resources, the void will be filled by other suppliers like Russia – which, in addition to the obvious national security implications, happens to be the largest methane emitter in the world.³¹ If the Biden administration is truly as concerned with emission levels as they claim, they should allow



²⁶ Francesca Landini and Stephen Jewkes, "Europe to miss 2030 climate goal by 21 years at current pace – study," Reuters, September 4, 2021, <https://www.reuters.com/business/environment/europe-miss-2030-climate-goal-by-21-years-current-pace-study-2021-09-04/>

²⁷ Sören Amelang, "Coronavirus impact lays bare inflexibility of German power generation and demand," Clean Wire Energy, May 7, 2020, <https://www.cleanenergywire.org/news/coronavirus-impact-lays-bare-inflexibility-german-power-generation-and-demand>.

²⁸ Christopher Rugaber, "Inflation at 40-year high pressures consumers, Fed and Biden," AP News, January 12, 2021, <https://apnews.com/article/consumer-prices-inflation-c1bfd93ed1719cf0135420f4fd0270f9>.

²⁹ Rachel Morison and Jesper Starn, "Europe Energy Crisis Worsens With War Risk Compounding Gas Woes," Bloomberg, January 14, 2021, <https://www.bloomberg.com/news/articles/2022-01-14/europe-energy-crisis-worsens-with-war-risk-compounding-gas-woes>.

³⁰ Rachel Morison and Jesper Starn, "Europe Energy Crisis Worsens With War Risk Compounding Gas Woes," Bloomberg, January 14, 2021, <https://www.bloomberg.com/news/articles/2022-01-14/europe-energy-crisis-worsens-with-war-risk-compounding-gas-woes>.

³¹ Bloomberg, Russia's Dirty Gas Is Keeping Europe From Freezing Over, Aaron Clark, November 1, 2021, <https://www.bloomberg.com/features/russia-europe-gas-pipeline-climate-impact-2021/>

regular oil and gas lease sales to continue in the Gulf of Mexico and elsewhere in the United States as dictated by the market, rather than leave a void for foreign energy to fill.

Offshore Carbon Sequestration

The Infrastructure Investment and Jobs Act (Public Law 117-58), enacted on November 15, 2021, amends the OCSLA to authorize the Secretary of the Interior to issue leases, easements, or rights-of-way on the OCS for the injection of carbon dioxide into sub-seabed geological formations for long-term carbon sequestration. The law also directs the Department of the Interior to promulgate regulations to implement this authority within one year of enactment. Industry has indicated significant interest in pursuing offshore storage of carbon in the Gulf of Mexico given the high capacity for storage and existing energy infrastructure.³²

³² National Ocean Industries Association. NOIA Releases Carbon Capture, Use, and Storage (CCUS) Policy Paper. <https://www.noia.org/noia-releases-carbon-capture-use-and-storage-ccus-policy-paper/>