

**Testimony of Erik Milito, Upstream Director
American Petroleum Institute
Before the Subcommittee on Energy and Mineral Resources
Of the House Natural Resources Committee
November 18, 2011**

Good morning. I am Erik Milito, director of upstream and industry operations at API. API represents over 480 member companies involved in all aspects of the oil and natural gas industry.

Thank you for the opportunity to testify today. API is encouraged that the House of Representatives and this committee are discussing ways to increase oil and natural gas development in the United States. More domestic oil and natural gas development is an indispensable component of a stronger energy and economic future. More development can deliver more jobs for Americans, more revenue for our government, and greater energy security – while providing a reliable source for the fuels consumers and businesses use in their homes, vehicles and factories and for the petrochemicals used in everything from our clothing to our iPhones to our computers and pharmaceuticals.

Unfortunately, U.S. energy policy today does not allow us to take full advantage of opportunities to develop here in the U.S. more of the energy we will need in the decades ahead. However, we appreciate the efforts of Chairman Hastings and this committee in passing legislation earlier this year, including H.R. 1229, 1230, and 1231, that showcase the benefits of increased oil and natural gas development.

Oil and natural gas currently provide most of our nation's energy while supporting more than nine million U.S. jobs and delivering to our government more revenue – about \$86 million a day – than any other industrial sector.

And this debate is not a choice between traditional energy sources on one hand and renewable/alternatives on the other. We will need it all to meet our nation's growing energy demands in the future.

The U.S will require 20 percent more energy in 2035 than in 2009, the Energy Information Administration projects, while world demand will increase by 53 percent. To meet this demand, we will need all forms of energy, including substantial amounts of oil and natural gas. In fact, even with significant increases in renewable energy use, efficiency and conservation, the EIA projects that we will need more oil and natural gas in 2035 than we are using today.

The good news is that we have very ample resources in America that can be produced safely and economically, and the estimates of available resources are growing because continuous advances in technology both onshore and offshore are making previously unreachable resources accessible.

A simple choice lies before us. We can choose to safely and responsibly produce at home more of the oil and natural gas we know we will be consuming, creating hundreds of thousands of jobs for Americans and much more revenue for our government – or we

can stand still and watch as other countries produce the resources that we will then have to purchase, with the jobs and revenue going to those nations.

Put another way: will we direct our own energy destiny and remain a world leader in resource development? Or will we let others set our course?

Wood Mackenzie calculated the benefits of expanded domestic development earlier this year in a study it conducted for API. It concluded that by increasing onshore and offshore access to U.S oil and natural gas resources, avoiding unnecessary new regulations, returning the pace of permitting approvals in the Gulf to previous levels, and bringing in more Canadian energy, we could create as many as 1.4 million jobs by 2030 – with one million of those jobs ready in the next seven years. This pro-development path would also generate \$800 billion in additional cumulative revenue, and substantially boost U.S. oil and natural gas production. When factoring in projected biofuels growth, following this path would allow us to meet all of our liquid fuel needs through U.S. and Canadian supplies in 15 years.

Industry is willing to make the investments, but national energy policy is not currently synched to move forward along the path of increased domestic development. The Department of the Interior's recently released offshore leasing plan basically says to continue looking where we have already been looking for the past several decades. It would leave most of our coasts locked up, while also creating disincentives for leasing in the limited areas where that would be permitted.

The Wood Mackenzie research calculates that full development of the offshore areas left off-limits by Interior's proposal – the Atlantic and Pacific coasts and most of the Eastern Gulf of Mexico – could provide hundreds of thousands of additional new jobs, more than \$300 billion in cumulative additional revenue for government, and nearly 4 million additional barrels oil equivalent per day by 2030.

The administration says that current policy is preparing us for our energy future and that oil and natural gas production is increasing. However, the current production increases are largely due to the development of shale oil and natural gas on private lands in North Dakota, Pennsylvania, Texas, Arkansas, Louisiana and elsewhere – and because of leasing and development on public lands and federal waters initiated many years ago. A robust national energy strategy must include the continued exploration and development of offshore areas and BLM-administered lands. These resources would help us meet the goals of energy security, job creation and revenue generation. Interior's offshore plan fails to take advantage of this opportunity. We are not doing the things necessary today to be able to meet tomorrow's energy needs with the greatest possible benefits for the American people.

The U.S. oil and natural gas industry provides a significant stimulus to our nation's economy. Last year, it directly contributed an estimated \$470 billion to the U.S. economy in spending, wages and dividends, more than half the federal government's

2009 stimulus program. And it is one of few industries creating jobs throughout the recession.

We can create even more jobs and generate far more revenue if allowed to responsibly develop and produce here in the United States more of the oil and natural gas we need. But more development – especially on public lands and federally controlled waters – requires that industry and government share a vision of the potential benefits and act as partners to fully realize them. There's more work to do for that to happen, and we appreciate efforts now underway in the Congress, including Rep. Stivers bill – H.R. 3410 – to help move us in that direction.

Erik Milito
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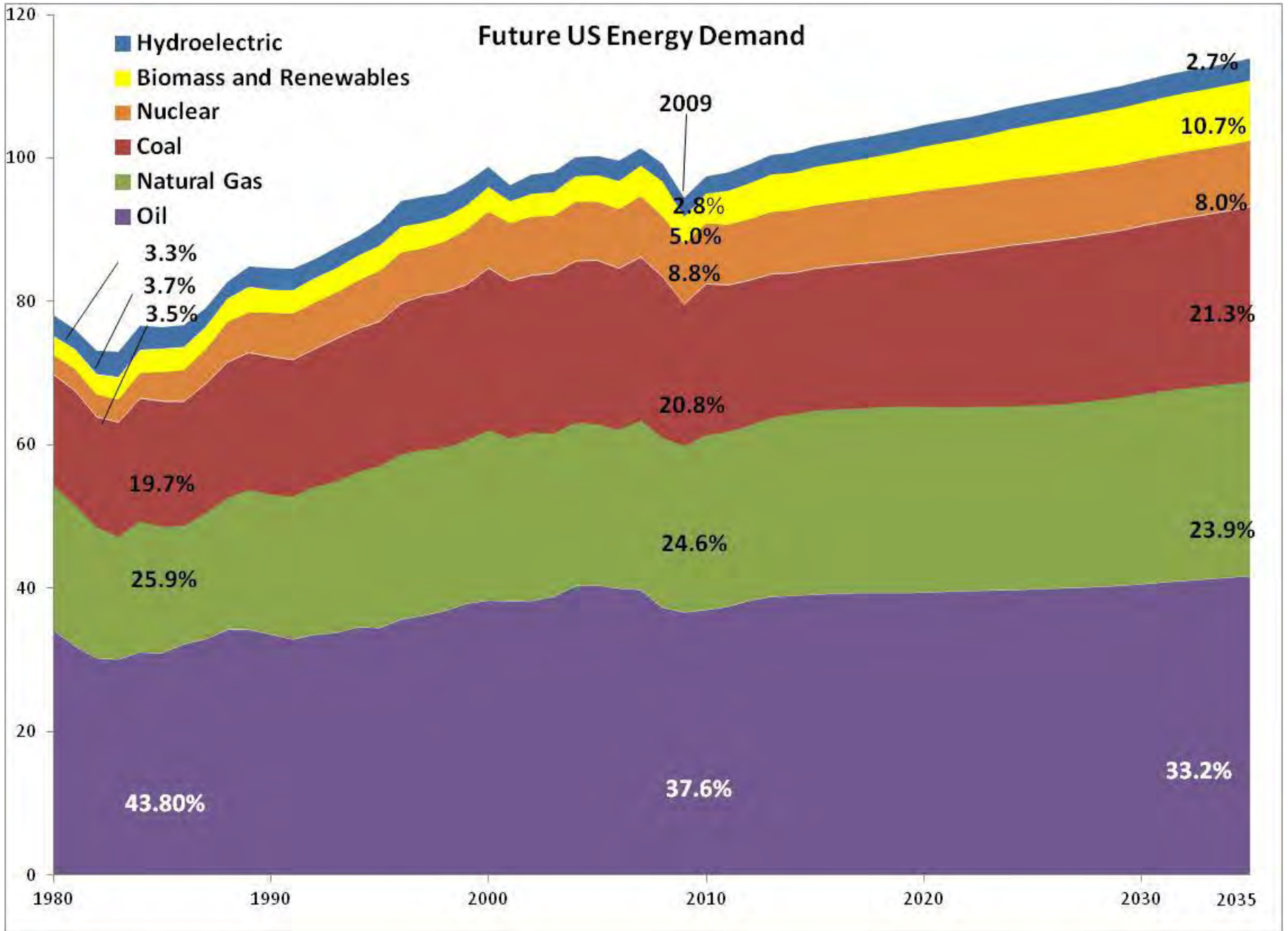
**Subcommittee on Energy and Mineral
Resources**

House Committee on Natural Resources

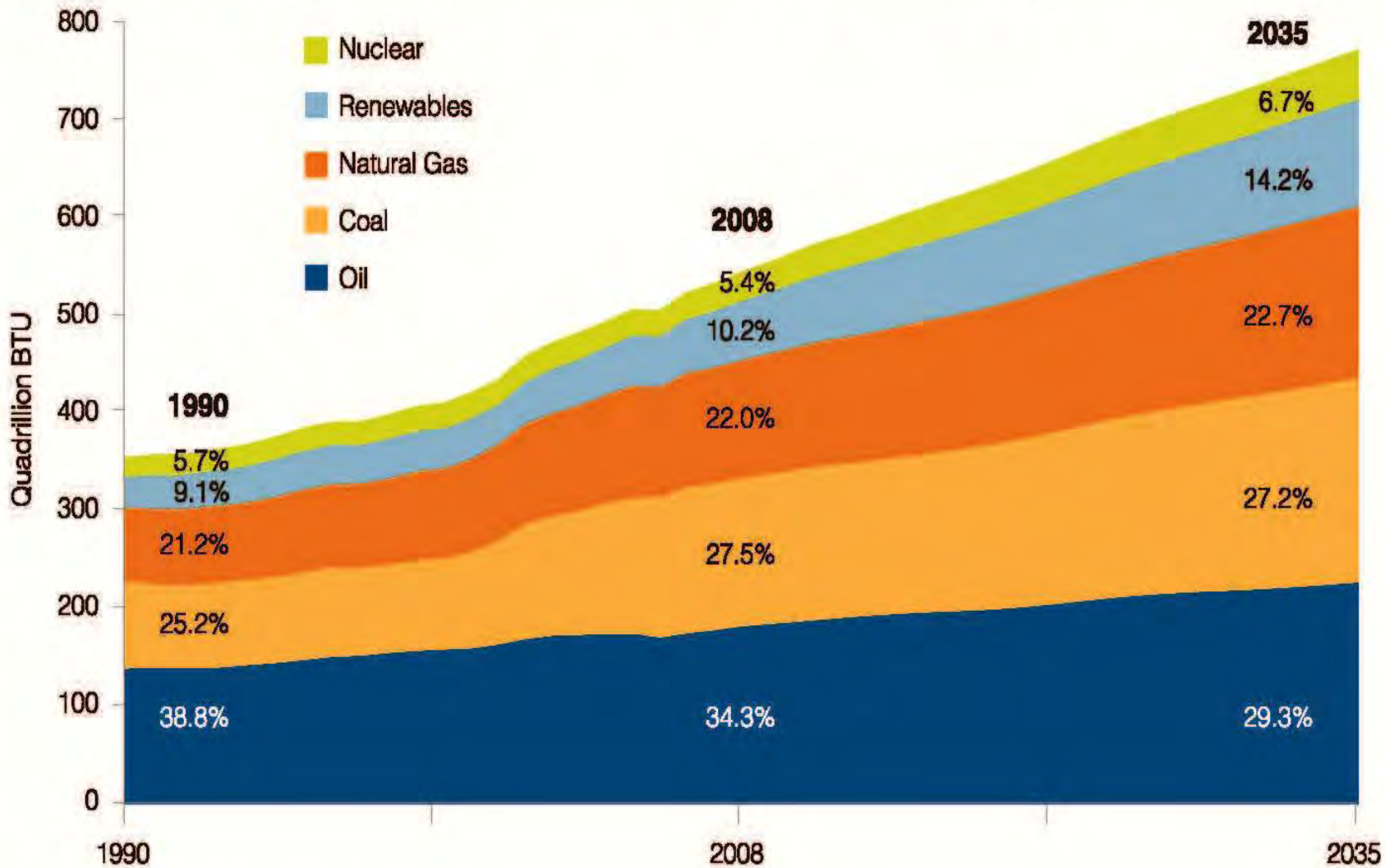
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Future US Energy Demand

- Hydroelectric
- Biomass and Renewables
- Nuclear
- Coal
- Natural Gas
- Oil



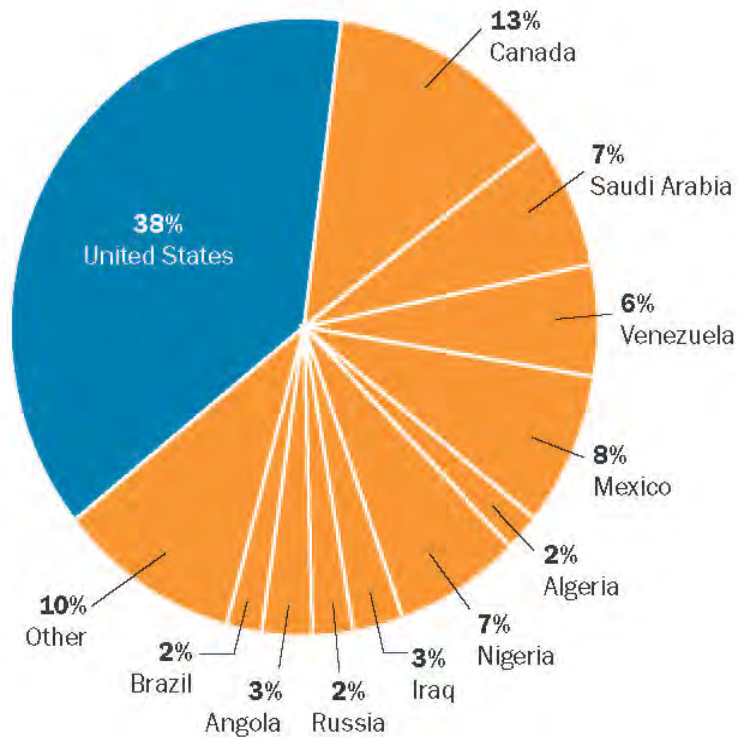
Future Global Energy Demand (The world will require 53 percent more energy in 2035 than in 2008.)



Source: EIA, International Energy Outlook 2011.

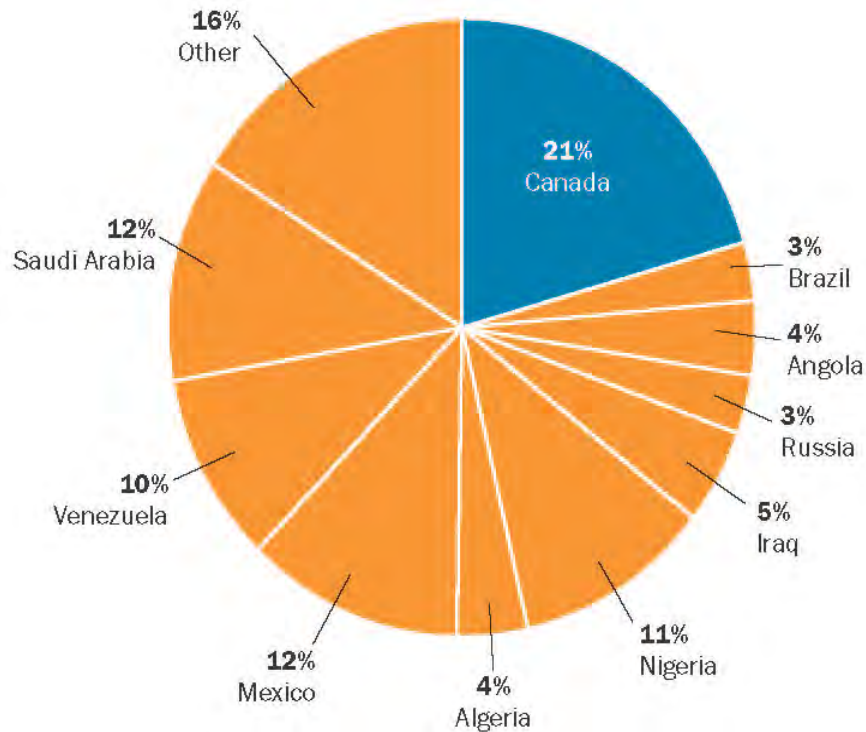
U.S. Supplies of Crude 2010

(14,633 Thousand Bpls per Day)



U.S. Imports of Crude 2010

(9,121 Thousand Bpls per Day)



Source: EIA, *Petroleum Supply Monthly*, February 2011.