Statement of

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Oversight Hearing on

"The Energy Policy and Conservation Act Inventory"

House Resources Subcommittee on Energy and Mineral Resources

June 24, 2003

Madam Chairman and members of the Subcommittee, I am pleased to appear before you this morning to discuss the findings of the Energy Policy and Conservation Act (EPCA) Inventory and what the Bureau of Land Management (BLM) is doing to integrate the inventory's findings into how oil and natural gas are developed and natural resources are protected on Federal lands.

As you know, our Nation faces a great challenge in meeting its energy needs. Energy is the cornerstone of the American economy. We consume much more than we produce; this is especially true for oil. This imbalance causes us to rely increasingly on foreign oil. According to the Department of Energy's Energy Information Administration (EIA), we are currently importing about 55% of our oil from foreign sources – a percentage that is expected to increase to 68% by 2025. Relying on these foreign sources of oil make us dependent on unstable parts of the globe, creates uncertainty and anxiety at home, and threatens our quality of life.

Historically, we have been able to satisfy most of our natural gas demand through the production of our domestic resources, and nearly all of our imports come from Canada. We currently supply 86% of our own demand. However, that is beginning to change as demand for clean-burning natural gas to produce electricity continues to accelerate, mature basins decline, and access to new basins fails to keep pace with demand.

According to the EIA, over the next 20 years, U.S. natural gas consumption is projected to grow by more than 50 percent, while production, if it grows at the rate of the last 10 years, will grow by only 14 percent. The EIA also projects an increasing need for natural gas imports from Canada at a time when Canada's gas exports are declining. Increased imports of liquefied natural gas (LNG) are an important component of natural gas supply and, as Federal Reserve Chairman Alan Greenspan recently pointed out, are likely to become an even more important source of supply in the future.

We need to protect our economic and national security by increasing our ability to produce more of our energy domestically, and close the gap between the amount of energy we use and the amount of energy we produce.

On May 21, 2003, Chairman Alan Greenspan testified before the Joint Economic Committee of Congress and stated, "I'm quite surprised at how little attention the natural gas problem has been getting, because it is a very serious problem." He also said, "If on the one hand we have encouraged, as we have, very significant growth in domestic demand for natural gas – but are very readily constrained by our ability to increase supply – then something has got to give, and what is giving, of course, is price." More recently, on June 10, 2003, Chairman Greenspan spoke before the House Committee on Energy and Commerce about the natural gas crisis. Again, Chairman Greenspan warned Congress that short supplies and rising costs of natural gas could eventually contribute to "erosion" in the economy.

The energy challenge we find ourselves in is not new. In order to provide for our Nation's growing energy needs, President Bush's National Energy Policy established a comprehensive, long-term energy strategy. The President's plan recognizes that conservation and more efficient use of energy, diversification of our energy supply, and increased production of all of our domestic energy resources – renewable and nonrenewable – are critical to our energy future.

The National Energy Policy recognized the Congressionally-mandated EPCA inventory of domestic oil and gas resources on Federal lands as an important part of that strategy. The inventory identifies the oil and natural gas resources in five energy-rich basins of the western United States and analyzes the impediments to accessing those resources. The National Energy Policy directed that the EPCA inventory be expedited and that constraints to Federal oil and gas leasing be reassessed and modified "where opportunities exist (consistent with the law, good environmental practice, and balanced use of other resources)." The National Energy Policy further directed that any reassessment of constraints be conducted "with full public consultation, especially with people in the region."

On April 18, 2002, BLM Director Kathleen Clarke testified before this Subcommittee about the status of the EPCA inventory and the methodology to be used in developing the report. The Departments of the Interior, Energy, and Agriculture released the EPCA inventory in January 2003. With the inventory now completed, the BLM is taking several steps to ensure the report's integration into the land use planning process, applications for permits to drill, and other use authorizations.

EPCA Overview & Key Findings

As directed by Congress in the Energy Policy and Conservation Act of 2000 (Public Law 106-469), the Secretary of the Interior, in consultation with the Secretary of Agriculture and the Secretary of Energy, initiated a national inventory of oil and natural gas resources beneath Federal lands and the constraints that may limit the development of those resources. The report, entitled "Scientific Inventory of Onshore Federal Lands Oil and Gas Resource and Reserves and the Extent and Nature of Restrictions and Impediments to Their Development," evaluated five areas in the West that contain the bulk of the natural gas and much of the oil resources under Federal management in the onshore United States.

The basins are: the Paradox/San Juan Basins in Colorado, Utah and New Mexico; the Uinta/Piceance Basins in Colorado and Utah; the Greater Green River Basin in Wyoming, Colorado and Utah; the Powder River Basin in Montana and Wyoming; and the Montana Thrust Belt. These five basins encompass nearly 104 million acres, 59 million acres of which are managed by the Federal government. The EPCA directed us to look at all onshore Federal lands and, thus, the inventory includes lands managed by the BLM, the National Park Service, the Bureau of Reclamation, the U.S. Fish and Wildlife Service, the USDA Forest Service, and the Department of Defense. It also includes split estate lands – those privately owned lands where the Federal government owns the subsurface minerals. The EPCA inventory does not include American Indian lands.

These five basins contain the largest reservoirs of natural gas after the Outer Continental shelf -- almost 140 trillion cubic feet of natural gas on Federal lands. According to the Natural Gas Supply Association, some 56 million U.S. homes use natural gas. The amount of natural gas on public lands in these 5 basins could satisfy the needs of these 56 million homes for nearly 30 years. These same lands, however, are also important for a variety of multiple uses, including wildlife habitat, grazing, recreation, historical and cultural resources, and renewable and nonrenewable energy and mineral development. The EPCA study sought to address both dimensions of public land oil and gas development – the resource values and the constraints posed by other values.

In the inventory, the USGS analyzed undiscovered technically recoverable resources. Technically recoverable resources are those resources that are currently producible using existing technology. The estimates do not address whether it is currently economically profitable to recover these resources. The USGS resource numbers were then added to EIA's proved oil and natural gas reserves for the United States. Proved reserves calculations include consideration of current economics. The EIA annually collects proved-reserve information from operators. Thus, the EPCA inventory is more comprehensive than simply using technically recoverable resources. The USGS estimates that it will take approximately 2 years to determine economically recoverable resources for these 5 basins.

The EPCA inventory further breaks these data down by the five Basins identified above. The inventory next provides a basin-by-basin comprehensive summary of the constraints to oil and natural gas development resulting from various existing lease stipulations. The BLM and the U.S. Forest Service supplied lease stipulation data, which was then overlaid on the resource numbers using Geographic Information System (GIS) technology. Some 1000 lease stipulations were classified into 10 broad categories. It is important to note, however, that the EPCA inventory only addresses the leasing stage and whether lands containing oil and natural gas resources are open or closed to leasing, and the degree of constraint on development resulting from lease stipulations on open lands. The EPCA inventory did not address other potential constraints to development that may result from the permit process and other post-lease conditions of approval. These potential constraints are the subject of the work of the White House Task Force on Energy Project Streamlining, as created pursuant to Executive Order #13212, and the work of the National Petroleum Council, among others.

The key findings of the EPCA inventory are as follows:

In these 5 basins, an estimated 57 percent of the oil and 63 percent of the natural gas are available under standard leasing stipulations, and only 15 percent of oil and 12 percent of natural gas are totally unavailable. The remaining oil and natural gas are available with increasing restrictions on development. Generally, land that is completely closed to development contains comparatively little oil and natural gas potential.

Within these five basins, the total estimated Federal reserves and undiscovered technically recoverable oil totals 3.9 billion barrels (Bbbl), and the total estimated undiscovered technically recoverable natural gas totals 138.5 trillion cubic feet (Tcf). Of this amount, 2.2 Bbbl of oil and 86.6 Tcf of natural gas are available for leasing with standard stipulations. Additionally, 1.1 Bbbl of oil and 36 Tcf of natural gas are available for leasing with restrictions on oil and natural gas operations beyond standard stipulations. The EPCA inventory also identified 0.6 Bbbl of oil and 15.9 Tcf of natural gas that is not currently available for leasing due to pending land use planning or various prohibitions established by laws, Executive Orders, or status as set by a land management agency.

While I have discussed our findings related to the issue of access to oil and gas resources beneath Federal lands, from a management perspective, there is an additional significant finding.

Numerous examples were found in which lease stipulations were being applied inconsistently. These inconsistencies included differences in protective stipulations that resulted from jurisdictional boundaries - state line, agency boundaries, BLM Field Office areas – rather than a resource protection need.

We found that requirements on oil and gas operators to protect a resource could be significantly different between adjoining political jurisdictions and agency management units. A seemingly arbitrary invisible line could separate two entirely different management practices for the same resource in the same setting. The reasons for such differences in management practices were usually unclear.

Because BLM is the DOI bureau primarily responsible for implementing changes as a result of the EPCA study, I'll now turn my attention to what BLM is doing in response to the report. One of BLM's first tasks is a review of such conflicting management practices for similar resources in similar settings. Sound science has to be the critical factor in the design of operating restrictions. Operators should have a single prescription for a specific resource in a specific setting throughout that setting regardless of how many state or management unit boundaries that setting crosses. Prescriptions should not change at invisible boundaries. We must define appropriate practices for settings which may extend across numerous political jurisdictions or agency management unit boundaries. Where appropriate, we must incorporate those prescriptions in all of the management plans for which the resource and setting occur.

As a result of the EPCA inventory, BLM is asking field managers to look beyond the boundaries of their units to ensure that the restrictions they impose on oil and gas operators for a specific resource are similar, if not identical, to those imposed in neighboring units with the same setting.

As noted earlier, our restrictions must be based on the best available science. We must recognize the value of adaptive management. That is, the ability to modify or adjust restrictions to ensure adequate resource protection. We must determine whether or not our prescriptions are effective without being overly restrictive. We must respond to new scientific information and use it to make appropriate changes to our prescriptions. This is the real promise of the EPCA inventory. Consistency based on sound science will benefit both our resources and our domestic oil and gas producers.

It is important to note that any reassessment of these restrictions on oil and gas activities will occur in the public-land use planning or legislative processes, both of which are fully open to public participation and debate over the appropriate balance between resource protection and resource development.

Integrating EPCA into Land Use Planning / Resource Use & Authorization

In accordance with the President's National Energy Policy, it is the goal of the BLM to provide optimal access to the resources from the public lands consistent with sound land stewardship principles and full public involvement. The information developed in the EPCA inventory will play an important role in advancing this strategy.

On April 3, 2003, BLM Director Kathleen Clarke issued guidance to BLM State Directors regarding integration of the EPCA inventory results into land use planning and energy use authorizations. Four EPCA integration principles were transmitted to the field offices. They are:

1. Environmental protection and energy production are both desirable and necessary objectives of sound land management practices and are not to be considered mutually exclusive priorities;

2. The BLM must ensure the appropriate amount of accessibility to the energy resources necessary for the nation's security while recognizing that special and unique non-energy resources can be preserved;

3. Sound planning will weigh relative resources values consistent with The Federal Land Policy and Management Act;

4. All resource impacts, including those associated with energy development and transmission, will be mitigated to prevent unnecessary or undue degradation.

The BLM established two national teams led by State Directors to develop strategies to integrate the EPCA inventory into the land use planning and use-authorizations processes. The Land Use Planning Team is responsible for developing guidance which will guide the BLM in integrating EPCA into land use plans (especially those designated as time-sensitive). In the long term, the team will be responsible for looking at ways to improve the planning process and allow for flexibility in making decisions which take into account current land conditions and scientific knowledge. Additionally, the process developed by the team will insure bureau-wide consistency in the application of stipulations. The other team, the Resource Use Authorization Team, is responsible for developing guidance that will (1) direct how the EPCA results can provide flexibility and consistency in the use of stipulation waivers and exceptions to facilitate oil and gas development, where appropriate, and (2) use of the EPCA results to improve communications with operators on the timing requirements for Applications for Permit to Drill (APD) submissions as related to seasonal restrictions and where the EPCA results can be used to facilitate our APD streamlining efforts. The teams are proposing to incorporate adaptive management principles using the most current science and information available. Stipulations would be more outcome-based instead of prescriptive. This means that the desired results would be stated and various approaches could be utilized to accomplish resource protection.

Finally, to ensure the successful and timely implementation of these efforts and to stress the importance of using the EPCA inventory as a key component of the President's National Energy Policy, the BLM organized a national telecast for all BLM field managers on May 14, 2003. The telecast provided a forum to discuss the importance of this effort and to explain how the BLM will fully integrate the information in the EPCA inventory into the way the agency does business.

Additional EPCA Inventories

In consultation with the other Federal agencies that prepared the first phase of EPCA, the BLM is considering the next phase of EPCA inventories. Areas for study could include the Eastern Great Basin in Nevada; the Bighorn Basin in Wyoming; the Wind River Basin in Wyoming; and the Wyoming Thrust Belt.

Conclusion

Completion of the first EPCA inventory is an important step toward implementing the President's National Energy Policy and improving the way BLM does business. We look forward to working with the Subcommittee as BLM continues to integrate the data from this and future EPCA inventories into its management plans. Thank you for the opportunity to testify before you today. I welcome any questions the Subcommittee may have.