

**Statement of
Robert V. Abbey, Director
Bureau of Land Management
U.S. Department of the Interior**

**Before the
House Committee on Natural Resources
Subcommittee on Energy and Mineral Resources**

**Oversight Hearing on the FY 2011 Energy and Minerals Budget Request
of the Bureau of Land Management**

March 25, 2010

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2011 energy and minerals budget request for the Bureau of Land Management (BLM).

The BLM, an agency of the U.S. Department of the Interior, 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—253 million surface acres—than any other Federal agency. The BLM also manages 700 million acres of subsurface mineral estate throughout the Nation.

These public lands include some of America's most spectacular landscapes and important natural resources, and serve as an engine of prosperity for our Nation. Energy generated from public lands powers America's homes and businesses; minerals and timber resources are the building blocks for the products we consume; grazing helps supply food for our families; and the scenery, recreational opportunities, and shared history that draws Americans to the public lands also support jobs and businesses in communities throughout the country.

The BLM is doing its part to power America's economic recovery and to create jobs here at home. Investments in restoring watersheds and protecting treasured landscapes create jobs that cannot be exported. We can harness wind, solar, and geothermal power from public lands as never before, putting Americans to work while supplying clean, affordable energy for our future. We can create summer jobs for thousands of young people by restoring America's most special places while inspiring the next generation to be good stewards of our public lands. The opportunities are vast, and with innovation and renewed attention to the benefits of responsible stewardship we can help repower our economy and contribute to a lasting foundation for prosperity in America.

Budget Overview

The BLM's FY 2011 budget request is \$1.1 billion for current appropriations, a net increase of \$8.0 million from the FY 2010 enacted level. Within the net increase of \$8.0 million, the budget includes funding increases for the Secretary's ongoing initiatives for Climate Change Adaptation and Treasured Landscapes, and continues to advance the Secretary's New Energy Frontier

initiative. The budget will also enable BLM to implement a new management strategy for the Wild Horse and Burro program that was announced by the Secretary last fall. This testimony focuses on the BLM's energy and mineral resources programs.

The BLM's management of public lands and natural resources delivers value on a daily basis to the American public. The BLM manages programs that provide significant economic benefits to the Nation and to States and counties where these lands are located. Revenues generated from the public lands make the BLM one of the top revenue-generating Federal agencies. Royalties collected from energy leasing and other fees collected by the agency benefit the U.S. taxpayer. In 2011, the onshore public lands will generate an estimated \$4.5 billion in revenues, mostly from energy development. Approximately 45 percent of these revenues will be returned to the States where the mineral leasing occurs; revenues from other programs are provided directly to States and counties to support roads, schools, and other community needs.

Energy & Mineral Resources Budget Initiatives — New Energy Frontier

The Secretary's 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. These lands contain some of the highest concentrations of solar, geothermal, wind, oil, gas, and coal energy resources in the United States.

To encourage and facilitate renewable energy development, the President's FY 2011 budget for the BLM proposes a \$3.0 million increase that builds on the \$16.1 million increase provided in FY 2010. The BLM would use the funding increase to complete environmental studies in areas with potential for development of wind and solar energy resources. Specifically, it 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. The budget supports the Secretary's goal of pursuing conventional energy development in a balanced, environmentally-sound manner with a \$2.0 million program increase in the Soil, Water, and Air Management program for air quality monitoring. The Oil and Gas Management budget reflects a \$13.7 million reduction in net appropriations funding. This includes a \$3.0 million program reduction in base funding that reflects the completion of Energy Policy and Conservation Act studies and a \$10.0 million decrease in appropriated funding for oil and gas inspection activities that will be fully offset with proposed new inspection fees. A decrease of \$674,000 reflects efficiency savings.

Renewable Energy Development – A National Priority

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 independence. Developing renewable energy will create jobs and promote innovation in the United States while reducing the country's reliance on fossil fuels.

The President has established ambitious goals to increase energy production from clean, renewable sources. Through investments enabled by the American Recovery and Reinvestment Act (Recovery Act), the Administration has committed to doubling the Nation's renewable

energy generating capacity over three years. To help accomplish this goal, the Secretary issued a Secretarial Order in March 2009 that makes the development, production, and delivery of renewable energy a top priority of Interior and BLM. The BLM is using approximately \$18.9 million in Recovery Act funding to verify renewable energy case records and update land status; \$13.0 million to support detailed analysis of the 24 solar energy study areas in the Solar Programmatic Environmental Impact Statement (PEIS); and \$8.8 million to evaluate and process state-specific renewable energy project applications.

Under the Secretary's direction, the BLM is focused on developing renewable energy in an expeditious manner that also protects the signature landscapes, wildlife habitats, and cultural resources of the public lands. The BLM's FY 2011 budget request supports this goal and enables continued progress in the following vital, ongoing efforts to develop renewable energy resources on the public lands:

- In late 2010, the BLM expects to issue a draft Solar PEIS, which is a landscape-scale plan for siting solar energy projects on public lands in the Southwest. This plan assesses the solar energy potential of 23 million acres of public land, and it includes a detailed review of 24 Solar Energy Study Areas.
- The BLM is "fast-tracking" 27 wind, solar, and geothermal energy projects that have the potential to qualify for financial incentives under the Recovery Act. The fast-track process focuses staff and resources on the most promising renewable energy projects, while ensuring the full environmental review required by the National Environmental Policy Act.
- As of March 1, the BLM was processing a total of 128 solar energy project applications involving 1.2 million acres of public land.
- The BLM is processing 249 wind energy applications—207 for wind testing and 42 for wind project development. The BLM is also processing 22 geothermal plans of development that total 761 megawatts.
- Renewable Energy Coordination Offices are working in four states to expedite review of solar, wind, and geothermal energy projects on BLM-managed lands.

Conventional Energy Development for America's Future

Secretary Salazar has emphasized that conventional energy resources on BLM-managed lands will continue to play a critical role in meeting the Nation's energy needs. In 2009, the onshore public lands generated 15 percent of the Nation's domestically produced natural gas, and six percent of domestic oil. The Department's balanced approach to responsible conventional energy development combines onshore oil and gas policy reforms with effective budgeting that ensures a fair return on the development of the Nation's conventional resources.

Secretary Salazar recently announced a number of reforms to bring greater certainty and order to onshore oil and gas leasing by integrating clarity, consistency, and public engagement into the leasing process, while balancing protection of other resource values. The BLM will play a key role in several policy reforms. First, the BLM will provide leadership in identifying areas where new oil and gas leasing and development will occur, taking into account industry expressions of

interest but emphasizing focused analysis and appropriate planning so the BLM can consider a wide range of important natural resource values before making a decision whether to allow development of an area. Second, because the leasing system has been fraught with uncertainty and successful appeals and protests, the BLM will increase and enhance its pre-lease sale activity and interdisciplinary preparation, public input, and site visits. Finally, the BLM will publish guidance regarding the consistent use and application of the “Categorical Exclusions” established under Section 390 of the Energy Policy Act of 2005 to allow the BLM to approve some oil and gas development activities based on existing environmental analysis. The BLM will begin implementing reforms in 2010, and will continue to emphasize the reforms in 2011.

In addition to the oil and gas leasing reforms announced in January 2010, the BLM’s proposed FY 2011 budget contains a number of provisions designed to improve the BLM’s oil and gas management operations.

- 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. This fee will be in addition to the yearly rental fee that the BLM already collects; the BLM expects the fee to generate \$340 million in revenue over 10 years.
- The BLM will propose a rule in 2010 to increase the onshore oil and gas royalty rate from its current 12.5% level. The BLM expects that the increase in royalty rate will generate over \$1 billion in additional revenues over 10 years.
- The FY 2011 budget includes a proposed oil and gas inspection and enforcement (I&E) fee that will generate an estimated \$10 million in 2011 to offset nearly 25% of the \$40 million spent annually on I&E. This inspection fee, paid by leaseholders, based on the number of oil and gas wells per facility, would defray Federal costs and ensure continued oversight of oil and gas operations on Federal lands, and offset a \$10.0 million reduction in the oil and gas management budget.
- As part of the BLM’s effort to use the best scientific information available in the authorization of conventional energy resources, the FY 2011 budget request includes a \$2.0 million increase to improve the BLM’s air-quality monitoring capabilities. The funds will help the agency implement a multi-year air quality strategy, focusing on areas with current or anticipated intensive oil and gas development.

Conclusion

The BLM’s FY 2011 budget request for energy and minerals programs reflects the Administration’s commitment to encourage renewable energy development on the public lands, as well as ensure the American people receive adequate compensation for all of the public’s resources. Mr. Chairman, thank you for the opportunity to testify on the BLM budget request for FY 2011. I will be pleased to answer any questions you may have.