

Prepared Statement of

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**Before the U. S. House of Representatives
Committee on Natural Resources
Concerning “Offshore Drilling: State Perspectives”**

February 24, 2009

Chairman Rahall and members of the Committee, thank you for the opportunity to appear today to discuss our experience with energy development off the California coast. California has a long history of offshore oil and gas development, which dates back to some of the earliest offshore production anywhere in the United States, starting off the Ventura County coast in 1896. California is also home of the 1969 Santa Barbara oil spill, which originated in the federal Outer Continental Shelf. It was an accident 40 years ago that had major ramifications for environmental protection in both California and for our nation. While the risk of such an event can be reduced today because of new technologies, for California, the adverse environmental and economic impacts of new oil and gas leasing and development off our coast (from oil spills, air quality, water quality, and visual impacts) far outweigh the benefits generated from these activities.

A state of approximately 38 million people, the majority of Californians live within the coastal zone. California's economy thrives on tourism, even with the current downturn in the national economy. People are drawn to our Southern California beaches, our rugged north coast, and many spectacular coastal destinations in-between. We have many federal, state, and local parks, three National Estuarine Research Reserves, three sites within the National Estuary Program and four National Marine Sanctuaries along and offshore our coast. The National Ocean Economic Program has determined that California's ocean dependent industries contribute over \$46 billion dollars to the state's economy annually. People journey to California to enjoy the outdoors, to swim, to surf, to scuba dive, and to fish among other ocean sports. Others come to patronize seaside resorts and restaurants. The impact of another 1969 caliber oil spill anywhere along California's coast would have a devastating impact on our population, recreation, our natural resources, and our coastal dependent economy.

California Position on Offshore Oil and Gas Drilling

Governor Schwarzenegger has long opposed new leasing off the California coast for oil and gas exploration, development, and production. He held this position before taking office and has not waived from it. This consistent position was included in the Governor's 2004 ocean action plan titled, *"Protecting Our Ocean, California's Action Strategy."* Since that time his position has been repeated in correspondence to Congress, to this Committee, to the President, and to the U.S. Department of the Interior. Last year, Governor Schwarzenegger also opposed the lifting of the congressional moratorium on leasing on the Outer Continental Shelf. This position is consistent with over 25 years of state policy embraced by governors of both parties. The California Coastal Sanctuary Act has precluded the leasing of our state tidelands (0-3 miles offshore) for oil and gas development since 1994. The California State Legislature has repeatedly passed measures opposing new offshore oil and gas development in the waters offshore our protected state waters. In addition, the California Ocean Protection Council, the State Lands Commission, and the California Coastal Commission all oppose new offshore oil and gas leasing off the coast. Governor Schwarzenegger joined Governors Kulongoski (Oregon) and Gregoire (Washington) opposing any new offshore oil and gas leasing, exploration, and development off the coasts of California, Oregon, and Washington. ***There should be no ambiguity about where California stands on the issue of new offshore oil and gas leasing off California – we oppose it.***

Looking at the long term energy picture, we do see OCS alternatives worth pursuing. California is coordinating with the Minerals Management Service and the Federal Energy Regulatory Commission to evaluate options for sustainable offshore energy production, such as wave and ocean current technology. The energy production potential and environmental impacts, of these technologies are being evaluated now. We have been working closely with the federal government to explore these possibilities, and look forward to continue working on these prospects with the Obama Administration. Additionally, California is a leader in setting energy efficiency standards that we believe are a model for the nation. Our recent experience with fluctuating gasoline prices has demonstrated that we all need to find ways to increase energy efficiency, and California has been a leader on that front for years.

We applaud the February 10, 2009 announcement by Interior Secretary Salazar to create a new, open-, process to develop a comprehensive energy strategy for this nation. The Secretary's four point plan provides a reasonable approach for states to provide input into the development of this energy policy. We applaud the Secretary's commitment to provide a fair and science based process and look forward to working with the Administration as this comprehensive plan is developed.

Offshore Oil and Gas Development off California

I want to dispel the myth that California only consumes oil and gas and does not produce it. This is simply not true. California has a long history of production of both onshore and offshore oil and gas. Currently, 27 oil and gas platforms are in production off the California coast. Of those, four are in state waters (within 3 miles of shore) and 23 lie within the federal waters on the Outer Continental Shelf (beyond 3 miles from shore). California also has substantial onshore oil and gas facilities currently in operation. Figures for 2007 indicate that California produced over 200 million barrels of oil at onshore facilities. Offshore production was 14.8 million barrels in state offshore waters and 24 million in federal waters. Onshore production of natural gas provided 269.9 billion cubic feet in 2007. Production in state waters was 7.2 billion cubic feet and 35.2 billion cubic feet was produced in federal waters that same year.

Alternative/Renewable Energy

California is recognized as a leader in energy efficiency and the development of renewable energy. We support congressional action to aggressively support national policies that increase the efficiency of our energy use. Our policies have proven to be extremely successful, from an economic and environmental standpoint. California uses less electricity per person than any other state in the nation. Indeed, over the last 25 years, California's per capita electricity use has remained nearly flat, while nationwide demand has increased 50 percent. This has occurred despite the fact that homes are bigger and our population tends to have more appliances, televisions, and other electronic equipment. Whether we are talking about electricity, natural gas, or transportation fuels, gains in energy efficiency can temper energy demand, hold down consumer prices, and reduce the environmental impact associated with traditional energy sources.

Although California has been leading on renewable and efficient energy production for years, we continue to set aggressive, yet achievable goals. On November 17, 2008 Governor Schwarzenegger signed an Executive Order (S-14-08), which re-establishes California's already ambitious Renewable Portfolio Standard (RPS) at a new nation-leading level and calls for a restructuring of the process of developing renewable energy sites to make it easier to achieve our renewable goals. Under the current standard, California utilities must obtain 20 percent of their electricity load from renewable energy sources by 2010; the Governor's Executive Order increases that goal to 33 percent by 2020. To ensure that goal is attainable, the directive also calls for a streamlined review and approval process for renewable energy sites – directing state agencies to sign a Memorandum of Understanding (MOU) with each other and with federal agencies (US Fish and Wildlife Service and Bureau of Land Management) to create a streamlined process making it easier for wind, solar and geothermal sites to be built in California.

These policies have proven to be extremely successful in California, from both an economic and environmental standpoint. We would encourage the Obama Administration and Congress to support a national energy policy that would increase the efficiency of our energy use throughout the nation. We would be

happy to work with the Congress to help craft a new energy strategy that builds on California's experience with energy efficiency.

Regulation of Offshore Oil and Gas Activities

California has regulatory jurisdiction over all aspects of oil and gas development from the onshore components of processing facilities and pipelines, to all aspects of offshore production which would include exploratory rigs, production platforms, pipelines, marine terminals, or other facilities associated with the offshore oil and gas development.

On land, our state and local governments have primary permit jurisdiction over the siting and construction of facilities. In state waters our California Coastal Commission and State Lands Commission have authority over the issuance of permits or authorizations to drill within state tidelands. On the Outer Continental Shelf (beyond state waters) several federal agencies such as the Minerals Management Service, the US Environmental Protection Agency, and the US Army Corps of Engineers have direct regulatory jurisdiction. However, California like other coastal states has a unique jurisdiction over activities on the Outer Continental Shelf that can "affect" resources within California's Coastal Zone, including our state tidelands. This jurisdiction is provided by the "federal consistency" provisions of the federal Coastal Zone Management Act. Essentially, no permits for new offshore oil and gas operations can be issued absent a finding that the activity is "consistent" with California's federally approved Coastal Zone Management Act, which is administered in California by the California Coastal Commission. Such decisions can be appealed to the Secretary of Commerce in cases where an applicant disagrees with the findings of the Commission.

As mentioned previously, all of the state tidelands off California are off limits for the extraction of oil, except under a few extraordinary circumstances. The position of the Governor, the state legislature, and our key agencies of jurisdiction maintain opposition to new leasing and development of oil and gas resources from the Outer Continental Shelf consistent with our statutory prohibition for such development in State Tidelands.

Conclusion

Let me conclude by saying that California stands ready to work with Congress and the Obama Administration to help craft a comprehensive and science based national energy strategy and a Five Year Oil and Gas Leasing Program. We believe such an approach should be developed with a look toward all of our energy options including energy efficiency, alternative renewable energy sources, and of course the development of oil and gas resources in locations where local and state governments support it, and where the environmental impacts can be mitigated.