

Statement of American Petroleum Institute Group Director of Upstream and Industry Operations Doug Morris to the Subcommittee on Energy and Mineral Resources

September 9, 2009

Mr. Chairman, I am Doug Morris, Group Director for Upstream and Industry Operations for the American Petroleum Institute, which represents nearly 400 companies involved in all aspects of the oil and natural gas industry, including exploration and production, refining, marketing and transportation, as well as the service companies that support the industry. We welcome the opportunity to present the industry's views on the American Conservation and Clean Energy Independence Act. Thank you, Chairman Costa and Ranking Member Lamborn for hosting the legislative hearing on this important topic today. And thank you to Congressman Abercrombie and Congressman Murphy for their efforts on this legislation. We look forward to working with you towards the continued development of pro-access policy during this session of Congress.

According to a new study by PricewaterhouseCoopers, the US oil and natural gas industry supports more than 9 million American jobs and makes significant economic contributions as an employer and purchaser of American goods and services. Our industry's total value-added contribution to the US gross domestic product (GDP) was more than \$1 trillion in 2007—the most recent year data was available. That is roughly 7.5 percent of US GDP in 2007.

US-based oil and natural gas companies recognize that securing America's energy future will require the development of all forms of domestic energy. We know that we also need a major focus on increasing energy efficiency and the development of alternative energy sources, and

the proposed legislation reflects this as well. Many of our companies are leaders in those fields and have been investing heavily in such technologies for years.

However, oil and natural gas are the lifeblood of the nation's economy and are vital to our energy security---and this will be the case for decades to come. These resources keep our transportation systems running, heat and cool our homes, and are the basic components of thousands and thousands of consumer products that we use daily.

An ICF study commissioned by API late last year found that development of America's vast domestic oil and natural gas resources that had been kept off-limits for decades could generate significant federal revenues and jobs for the US economy. Over the life of the resources, more than \$1.7 trillion in government revenue (including \$1.3 trillion from offshore development alone) could help support vital programs and reduce pressure on American taxpayers. These revenues could help fund government energy research and development of alternative energy sources. In addition, these revenues are particularly needed by states and communities facing budget shortfalls. These governments are being forced to lay off teachers, reduce police protection, limit repair of roads and bridges, and cut back on other important programs.

The same study found that 160,000 jobs would be generated in 2030 if new offshore and onshore areas were open for development.

Oil and natural gas production from the Outer Continental Shelf (OCS) plays a key role in supplying the energy our nation needs. These areas provide more than 27% of our domestic oil

production and 15% of our gas. However, most of this production currently comes from the Western and Central Gulf of Mexico. As demonstrated by the disruption caused by hurricanes several years ago, it is important that we diversify our sources of production and develop the rest of the OCS. Until recently, Federal policy significantly constrained the domestic development of the abundant oil and natural gas reserves beneath U.S. coastal waters. For the first time in many years, the Secretary of the Interior has the opportunity to open these areas to exploration and production----and he should do so by moving forward in a timely manner with the draft proposed Five-Year Leasing Plan. Including lease sales in the Atlantic, Pacific, Alaska, and Eastern Gulf of Mexico in the next Five-Year Leasing Plan is the key to increasing the stability and security of domestic oil and gas resources.

This legislation supports increased exploration and development. Our federal government should seize the opportunity to increase the stability and security of domestic oil and gas resources by moving forward in a timely manner with the draft proposed Five-Year Plan.

Offshore development can move forward safely without harm to the environment. The industry has an excellent environmental record. New technology and scientific innovations have played a key role in this record. As a result of new innovations:

- We are finding more oil, with fewer wells, in more remote locations.
- We are now able to drill with great precision using steerable drill bits and hit production targets that are less than six feet across.

- We are also now able to reach out horizontally at great distances. Two years ago, a new record was set when a well from an onshore location tapped into an offshore field that was located more than seven miles away.
- We are now producing gas from wells that are located in water depths greater than 9,000 feet -- this was not thought feasible 20 years ago.
- And finally, we now have the technology that allows us, in some cases, to reduce or eliminate visual impact arising from offshore development by installing equipment on the ocean floor rather than on offshore platforms.

In summary, increased efficiency along with the development of alternative resources and additional oil and natural gas resources are all vital to our nation's economic recovery and future growth. Passage of this legislation would mean new jobs, more revenues for cash-strapped local, state and federal governments, and greater energy security for our country. The U.S. oil and natural gas industry has an outstanding offshore environmental record and has clearly demonstrated that offshore development can coexist with clean oceans and clean coasts. America cannot wait. Our nation needs a balanced, fact-based energy policy that promotes energy efficiency and conservation and greater supplies of all forms of energy, including domestic oil and natural gas. Congress must act to expand access to all abundant supplies of domestic oil and natural gas that have been off-limits for decades. To do otherwise will make it significantly more difficult to meet the future energy needs of American consumers. Thank you.