

# **Committee on Resources, Full Committee**

- - Rep. James V. Hansen, Chairman

U.S. House of Representatives, Washington, D.C. 20515-6201 - - (202) 225-2761

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## **Witness Statement**

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**Statement of Gale Norton  
Secretary of the Interior  
before the Committee on Resources  
U.S. House of Representatives  
on H.R. 2436, "The Energy Security Act"  
July 11, 2001**

Mr. Chairman, members of the Committee, it is a pleasure to be here again to discuss the President's "National Energy Policy" report, and to present the Administration's position on H.R.2436, the proposed Energy Security Act. The Administration supports H.R.2436, and would like to work with the Congress as it moves through the legislative process to address a few concerns we have with the bill as currently drafted. The legislation before the Committee today, while not identical to the Administration's National Energy Policy, advances these goals, and we would like to work with the Congress to bring this bill more closely into conformance with the Administration's Policy.

The need for a national energy policy becomes clear when you look at the numbers. Take clean-burning natural gas, for example. Over the next 20 years, U.S. natural gas consumption has been projected to grow by more than 50 percent while production will grow by only 14 percent if it grows at the rate of the last 10 years. U.S. energy production is not keeping up with our growing consumption, creating a rapidly increasing gap between domestic supply and demand.

Energy reserves contained in the lands and offshore areas managed by the Department of the Interior are an important source of potential energy production. The Department of the Interior manages energy production on all Federal lands, both onshore and the Outer Continental Shelf (OCS). These Federal lands provide nearly 30 percent of annual national energy production. In the year 2000, 32 percent of oil and 35 percent of natural gas were produced from Federal lands. In addition, Federal lands produced 37 percent of domestic coal production and 48 percent of geothermal energy production in 2000. Federal lands are also estimated to contain significant undiscovered domestic energy resources. Estimates suggest that these lands contain approximately 68 percent of all undiscovered U.S. oil resources and 74 percent of undiscovered natural gas resources.

The Department also owns and operates hydro power facilities in the 17 western states. These facilities produce about 16 percent of all the hydro power in the United States.

President Bush has developed a balanced plan to produce more reliable, affordable and environmentally clean energy that is built on three principles:

It is comprehensive and forward-looking.

It utilizes 21<sup>st</sup> Century technology to promote conservation and diversify supply.

And the plan will increase the quality of life for Americans by providing reliable energy and protecting our environment.

The President's plan calls for increasing domestic energy production, seeks to improve the aging energy infrastructure network by creating a new high tech energy delivery network and promotes energy conservation. It is important to point out that more than 50 percent of the President's plan focuses on energy efficiency, encouraging the development of fuel efficient vehicles and encouraging consumer conservation. The President's plan proposes new tax incentives to help increase the contribution that alternative and renewable energy can make to our nation's energy supply.

President Bush has directed his Administration to work with the Congress to develop comprehensive legislation that would help those with low-incomes pay higher energy bills, stabilize our current situation, while seeking those new resources and technologies to support our energy needs for the future.

The President directed The Department of Interior to seek authority to redirect a portion of oil and gas royalties to the Low Income Home Energy Assistance Program whenever oil and natural gas prices exceed pre-set trigger prices.

The President also directed us to work with Congress on legislation. authorizing the leasing of oil and gas in that portion of the Arctic National Wildlife Refuge (ANWR) defined as the Coastal Plain in section 1002 of the Alaska National Interests Lands Conservation Act. The President's plan emphasizes that Congress should require the use of the best available technology and require that energy production activities have no significant adverse impact to the environment in the ANWR 1002 area.

The President has also proposed incentives to increase geothermal, coal and hydro power development that will enhance expeditious production of those resources, and royalty in kind provisions that will help us with the administration of our royalty in kind program.

All of these steps are needed to solve the energy problems facing our country, and to secure our energy supply while protecting the environment.

Please allow me to briefly address several aspects of the President's Energy Plan.

#### The Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program (LIHEAP) is a federal block grant program that helps low-income consumers pay their energy bills. It is the nation's core program for targeting home energy subsidies to low income households with vulnerable members (the elderly, disabled, or young child) and households with the lowest incomes and highest energy costs. Last winter, 1.2 million more American families applied for LIHEAP assistance to pay their heating bills, bringing the total to more than 5 million American families -- up by 30 percent over last years's 3.9 million applicants. As many as 3.6 million families in eighteen states and the District of Columbia risk being unable to pay their bills and having their energy cut off because of the effects of rapidly increasing energy costs. The low-income elderly are particularly vulnerable to disruptions in energy supply.

The President's National Energy Policy includes strengthening LIHEAP by making \$1.7 billion available

annually, and the Administration has recently proposed a supplemental request that would increase FY 2001 funding by \$150 million. H.R.2436 would authorize the Secretary of the Interior to use royalty in kind oil or gas for providing additional resources to LIHEAP.

As part of its support for LIHEAP, the National Energy Policy recommends that Congress enact legislation that would allow the use of oil and gas royalty payments to bolster LIHEAP funding whenever oil and natural gas prices exceed certain prices. Specifically, a limited portion of royalties should be provided by the Department of the Interior to the Department of HHS's LIHEAP program as a cash payment, when oil and natural gas prices both exceed a certain trigger price. The Administration wants to work with the Congress to determine the appropriate trigger prices or the formula for determining them.

### The Arctic National Wildlife Refuge

As you know, The President is proposing to open the 1002 area, a small fraction of the 19 million acres in Arctic National Wildlife Refuge (ANWR) for oil exploration using the most high-tech, environmentally responsible methods. The President and I both believe that oil and gas development can successfully coexist with wildlife in Alaska's arctic region.

Our support for enactment of authority to lease oil and gas resources in ANWR is a prime example of the Department's dual commitment to energy development and environmental conservation. We recognize that the ecological resources of the Refuge are unique and precious. We must respect and conserve this wealth for future generations of Americans. However, because of advances in technology and in our enhanced understanding of the ecology, we are now able to proceed with exploratory work with very little long-term effect.

Further, the President's proposes that the Federal share of ANWR revenues should be earmarked for two new permanent funds to promote renewable energy technology and improve our national parks and public lands. Specifically, the National Energy Policy calls for 50% of the bonus revenues to be dedicated to renewable energy technology research and development, and that the Federal share of the royalties be dedicated to conservation and elimination of the maintenance and improvements backlog on federal lands. Use of the revenues from ANWR leasing for these purposes would pay permanent dividends to the American public by lowering the costs of developing renewable energy resources and identifying new resources, and by restoring and protecting wildlife habitat on public lands and addressing facility and site maintenance and improvement needs at National Parks, Refuges and Forests and on other recreation lands managed by the Federal government.

I do want to emphasize that the Administration supports the strong environmental protections provisions that are included in the pending legislation. Section 707 of H.R.2436, entitled Coastal Plain Environmental Protection, establishes an environmental standard of no significant adverse effect on fish and wildlife, their habitat, and the environment. Section 707 also requires the application of the best commercially available technology for oil and gas exploration, development, and production. These would be the most stringent environmental protection requirements ever applied to Federal energy production.

Section 707(d) of H.R.2436 requires the leasing program, among other things, --

- to set seasonal limitations on exploration, development and related activities, where necessary, to avoid significant adverse effects during periods of concentrated fish and wildlife breeding, denning, nesting, spawning, and migration,

- •to limit exploration activities, except for surface geological studies, to the period during which ice roads, winter trails with adequate snow cover, ice pads, and ice airstrips could be used,
- •to design standards for all pipelines and roads that minimize adverse effects on passage of migratory species, such as caribou, and on the flow of surface water,
- •to require consolidation of facility sitings, and
- •to require stringent reclamation and rehabilitation standards.

While this title provides a good, safe and environmentally sound arrangement for leasing in the 1002 Area of ANWR, it attempts to accomplish this under the structure of the Mineral Leasing Act. Under that Act, 90% of the bonus, rent and royalty revenues are distributed to the State of Alaska and 10% to the U.S. Treasury. We recognize the historical antecedents of the 90%-10% distribution. However, the legislation of two decades ago authorizing the oil and gas leasing program in the National Petroleum Reserve-Alaska provides for a 50%-50% split of lease revenues between the State and the Federal government. We believe that the 50%-50% division of revenues should also apply to leasing in ANWR.

### OCS Lease Sale 181

I'd like to take a minute to bring you up to date on the actions we have taken with respect to Lease Sale 181 in the Eastern Gulf of Mexico. I recognize that this sale, and the OCS program in general, is of great interest to members of this Committee. The OCS provides more than 26 percent of the natural gas and 25 percent of the oil produced in the United States. The Minerals Management Service (MMS) administers about 7,500 active leases on 40 million acres of the OCS. In addition, the OCS contains about 19 percent of the Nation's proven natural gas reserves, 18 percent of its proven oil reserves, and is estimated to contain more than 50 percent of the Nation's remaining undiscovered oil and natural gas resources.

On July 2, 2001, we proposed a Notice of Sale for oil and natural gas production in a portion of the Outer Continental Shelf in the Eastern Gulf of Mexico, also known as Sale 181. This area was first proposed for possible lease sale by Interior Secretary Babbitt and President Clinton after negotiations with Florida Governor Lawton Chiles and other coastal governors in 1997.

As part of determining the area to be offered, we listened and worked carefully with officials and affected citizens around the Sale 181 area. I believe the outcome is a balanced and common sense proposal consistent with the President's National Energy Policy. Our modified 181 area has been adjusted from 5.9 million acres to 1.5 million. The adjusted area is at least 100 miles from any portion of the Florida coast. For example, it's northern border is more than 100 miles from Pensacola, Florida and the eastern edge is 285 miles from the shores of Tampa Bay.

The proposed 181 Area will help expand our domestic sources of oil, and reduce our dependence on foreign oil. The proposal also works to meet the President's commitment to develop our nation's energy needs in an environmentally safe way. The Department projects the adjusted area contains 1.25 trillion cubic feet of natural gas - enough to serve one million U.S. families for 15 years. The area also contains 185 million barrels of oil - enough to fuel the automobiles of a million families for nearly six years.

### Other Recommendations

While we believe the Committee has done an excellent job in putting together a bill that will ensure increased environmentally sound production of energy from our public lands, we have a few more concerns with the bill as introduced, and want to work with the Congress to address them as the legislation moves

forward.

We have concerns about the potential cost of extending the Deepwater Royalty Relief Act provisions for two years. I understand that the Minerals Management Service has stated that there is no longer any need to provide incentives for production of oil and gas in water depths of less than 800 meters. I have also heard from industry that those incentives are in fact needed to sustain and increase the production levels of oil and gas that we have seen since enactment of the Deep Water Royalty Relief Act in 1995. Whatever is done in the short run, it does appear appropriate to ask the National Academy of Science to look into this issue, so that we can do what is best for the nation's long-term energy security.

We have a technical issue to point out as well. Currently, under section 27 of the OCS Lands Act, the Secretary of the Interior has the authority to transfer royalty in kind oil without compensation to the Department of Energy for the filling of the Strategic Petroleum Reserve. In both 1999 and 2000, the Secretary of the Interior exercised this authority. The exercise of this authority should obviously be limited to times of extreme national need, recognizing that the cost to the Treasury is usually significant. We recommend that H.R.2436 be amended to retain our current section 27 authority.

The bill authorizes the United States Geological Survey to establish and operate regional technology transfer centers that would conduct oil and natural gas exploration and production research and archive and provide public access to data regarding oil and natural gas reserves and production. I understand that the Department of Energy currently has similar authority, and I ask that this provision make clear that these centers are not intended to duplicate efforts already underway by DOE.

We look forward to working with you on these and any other concerns that arise as the bill moves through the legislative process.

### Conclusion

Mr. Chairman, while the challenge facing us is significant, it is not insurmountable. By building on new 21<sup>st</sup> century technologies, this country can produce ample domestic resources while enhancing and protecting the environment. I look forward to working with this Committee and others in Congress to implement Interior's pieces of the President's National Energy Policy.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or members of your Committee might have.

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