

February 7, 2012

Mr. Steven Textoris  
5-Year Program Manager, Bureau of Ocean Energy Management  
Room 3120  
381 Elden Street  
Herndon, VA 20170

**RE: Comments on Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017**

Dear Mr. Textoris:

In response to the release of the Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017, the National Ocean Industries Association (NOIA) submits its views in representation of its more than 270 member companies engaged in all the facets of domestic offshore energy production. Our members are dedicated to the exploration and development of oil and natural gas for the continued growth and security of the United States. The membership also includes companies involved in or branching out to pursue offshore renewable and alternative energy opportunities. NOIA members are engaged in many business activities, including environmental safeguards, equipment supply, geological and geophysical, gas and oil transmission and production, exploration, development, navigation, research and technology, shipping and shipyards.

Under the Outer Continental Shelf Lands Act (OCSLA), the Secretary of the Interior, in fulfilling the statutory mandate for “expeditious and orderly development” of the “vital national resource” of the OCS, must develop a program that outlines lease sales for oil and natural gas production for the following five years.

Before the plan is finalized, several processes – including multiple opportunities for public input – must occur. Following the lifting of presidential and congressional moratoria in 2008, the first steps for this Five-Year Program were initially taken by the prior administration in early 2009. With the administration change, the comment period for the Five Year Program was extended, allowing for additional public comment. In March 2010, Secretary Salazar initiated the next step – public scoping before a programmatic environmental impact analysis commenced – but postponed the comment period and scoping meetings while the *Deepwater Horizon* oil spill was contained and investigated.

Before Secretary Salazar re-opened the comment period, he removed the potential for lease sales in the Mid- and South-Atlantic as well as part of the Eastern Gulf of Mexico from the Five-Year Program, despite the potentially vast resources available in these areas. The plan then included areas in the Western and Central Gulf of Mexico as well the Chukchi and Beaufort Seas and the Cook Inlet off Alaska.

### **The Benefits of Access to New Areas of the OCS**

NOIA believes that action on a Five Year Leasing Program is among the most significant actions taken by an administration relative to how it views the importance of the exploration and production of domestic oil and natural gas supplies.

Making new areas available in a Five Year Leasing Program results in at least the following important benefits to the public:

- 1) New job creation and enhanced domestic investment
- 2) Increased revenues to the federal treasury in the form of royalties, rentals, bonus bids, and taxes
- 3) More domestic energy produced offshore means enhanced energy security and reliability

### ***Jobs and Economic Impact***

- A recent study regarding the economic impact of the offshore industry in the Gulf of Mexico estimated that the oil and gas industry generated almost \$70 billion of economic value and supported nearly 400,000 jobs in 2009.<sup>1</sup>
- In Alaska alone, if new development of offshore resources proceeded, an annual average of 35,000 jobs a year could be created for the next 50 years.<sup>2</sup>
- In Virginia alone, nearly 1,900 jobs and \$20 billion could be generated from OCS production, which translates into an average of \$365 million added to the gross domestic product every year by 2030.<sup>3</sup>
- NOIA and the American Petroleum Institute (API) partnered in early 2011 to sponsor a study regarding the full impact of the offshore oil and gas industry on the American economy. An independent study, conducted by Quest Offshore Resources, found that the Gulf of Mexico offshore oil and natural gas industry is a significant provider of employment in the U.S. The study found that getting the offshore oil and natural gas industry back to full speed would be a boon to job creation and economic growth across the country.
  - By 2013: With a return to historic levels of permitting, spending by the offshore oil and gas industry would increase by 70 percent, reaching \$25.7 billion of investment, with total contributions to the nation's GDP being nearly \$45 billion.

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<sup>1</sup> IHS CERA, <http://www.rpsea.org/attachments/articles/294/IHSGlobalInsightGulfofMexicoStudy.pdf>.

<sup>2</sup> [http://www-static.shell.com/static/usa/downloads/about\\_shell/strategy/major\\_projects/alaska/econanalysisoffshoreogdevpt.pdf](http://www-static.shell.com/static/usa/downloads/about_shell/strategy/major_projects/alaska/econanalysisoffshoreogdevpt.pdf).

<sup>3</sup> ICF International, [http://api.org/Newsroom/upload/ICF\\_State\\_Level\\_Analysis\\_3\\_13\\_2009.pdf](http://api.org/Newsroom/upload/ICF_State_Level_Analysis_3_13_2009.pdf).

- The study also found that the vast majority of the Gulf oil and gas industry expenditures – 95% are spent domestically. Less than five percent of Gulf operational spending and capital investment is spent outside the U.S.

### ***Increased Revenue to the Treasury***

- Royalties from oil and gas production represent one of the most significant non-tax revenues for the federal government.
- From 2001 – 2009, the offshore industry paid \$75 billion in royalties and lease sale bonus bids.
- Offshore areas that have yet to be developed, including the Atlantic, could not only create thousands of jobs, but also generate billions in revenue from new OCS production.

### ***Enhanced Energy Security and Reliability***

In 2011, the Bureau of Ocean Energy Management (BOEM) conducted an assessment of all the undiscovered, technically recoverable oil and natural gas resources located in known oil and gas fields in the U.S. outer continental shelf (OCS).

Mean estimates of Undiscovered Technically Recoverable Resources:

- 88.59 billion barrels of oil and 398.37 trillion cubic feet of natural gas for the entire OCS.
- 48.4 billion barrels of oil and 219.46 trillion cubic feet of natural gas for the Gulf of Mexico.
- 26.61 billion barrels of oil and 131.45 trillion cubic feet of natural gas for Alaska.
- The federal government estimates that the Gulf of Mexico OCS contains *proven reserves* of 20.3 billion barrels of oil and 183.7 trillion cubic feet of gas. Moreover, the waters off Alaska's coasts contain about 27 billion barrels of oil and 132 trillion cubic feet of natural gas. *Essentially, Alaska holds the eighth largest oil reserves in the world ahead of Nigeria, Libya, Russia and Norway.*<sup>4</sup>

### **Lack of Access in the Proposed Program is a Significant Missed Opportunity**

When the presidential and congressional moratoria were lifted in 2008, it was anticipated that those actions would bring about greater access to the resources of the OCS. NOIA is deeply disappointed in the lack of access to new areas in the Proposed Plan and believes that it is a missed opportunity with little to no justifiable policy rationale. It is difficult to see how the Administration's aim to achieve a one-third reduction in oil imports by 2025, as outlined in the *Blueprint for a Secure Energy Future*, can be achieved with a Proposed Plan that blocks access to new areas of the OCS until mid-2017 at the earliest.

In particular, NOIA is disappointed to see that there will be no lease sale proposed offshore Virginia. While there has historically been a great degree of deference given to the views of elected officials from coastal states that stand in opposition to new exploration, it is unfortunate

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<sup>4</sup> Bureau of Ocean Energy Management, Regulation & Enforcement, <http://www.gomr.boemre.gov/PDFs/2009/2009-064.pdf>.

that there appears to be no similar deference when the views of a state are so strongly supportive of taking new concrete steps toward development. It should be noted that there is strong bipartisan support in Virginia, including the Governor, both US Senators, a majority of the House delegation, and the state legislature that support the inclusion of a Virginia lease sale. This is not surprising given the potential for new jobs and economic benefits that would accrue to the state with exploration and development offshore.

### **Significant Regulatory Changes Have Been Made Since *Deepwater Horizon***

The Proposed Program notes that the “Department of the Interior (DOI) has made significant progress in accelerating reforms that have improved the safety and environmental protection of the OCS since the *Deepwater Horizon* blowout and oil spill in improving both the safety of offshore drilling to reduce the risk of another loss of well control in our oceans, and our collective ability to respond to a blowout and spill. While offshore oil and gas exploration and development will never be risk free, these activities can be conducted safely and responsibly, with appropriate measures to protect human safety and the environment.”

Since the *Deepwater Horizon* incident, numerous regulatory changes have occurred. These include:

- NTL – 06 – requires that operators must demonstrate they are prepared to deal with the potential for a blowout and “worst-case discharge.”
- NTL – 10- requires a corporate compliance statement and review of subsea blowout containment resources for deepwater drilling.
- The interim drilling safety rule – stipulates that permit applications for drilling projects must meet new standards for well-design, casing, and cementing, and be independently certified by a professional engineer.
- SEMS - requires that offshore operators maintain comprehensive safety and environmental programs. Companies must develop and maintain a safety and environmental management system (SEMS) per the new workplace safety rule which took effect November 15.

In addition, industry has taken significant action in addition to the regulatory agency. These actions include:

- Formation of joint industry task forces that have focused on enhanced safety and meeting the requirements of containment and spill response.
- Creation of the Center for Offshore Safety which will continue to develop new safety measures and raise the bar industry wide.
- Development of two industry-led subsea containment strategies – the Marine Well Containment Corporation and the Helix Fast Response System.

The Proposed Program cites a number of reasons for not proceeding with any new areas in the South or Mid-Atlantic, including Virginia. Among the reasons cited for not moving ahead are that the resource is “not well understood,” that there are “complex issues regarding potential conflicting uses” with the Department of Defense, and that the areas “lack the infrastructure” to

support the activity. All of these issues are concerns that can and would be dealt with if a lease sale were to proceed and if exploration and development were to occur. Moreover, none of these issues were raised as concerns at the time the Administration chose to proceed with a Virginia sale in March 2010, prior to the *Deepwater Horizon* incident. With permitting underway again in the Gulf of Mexico with strong new requirements, it is not surprising that none of these issues are cited as justification for the exclusion of a Virginia sale. As a result, NOIA believes that a decision not to move ahead with new access to the OCS under the Proposed Program lacks a justifiable policy rationale.

### **Conclusion**

At this point in the process for the Proposed Program, NOIA recognizes that the plan must now proceed with the scope of decision making as presently constituted. However, NOIA would ask that as BOEM proceeds, the area available under the Proposed Plan not be further reduced, nor the designated lease sales; and that the alternative with the highest level of potential for development be selected. This is essential to ensure as robust and active a program in the OCS as possible.

However, upon completion of the Proposed Plan, we urge the BOEM to immediately begin work on a revision to the plan by scoping at least those areas that were considered in the 2010-2015 Draft Proposed Plan released in January 2009. Completing the Proposed Plan before revision will ensure that there is no unnecessary delay in the sales planned or negative impact upon the present activity levels in Western and Central Gulf of Mexico or Alaska. Beginning this revision immediately will provide the earliest possible opportunity to remedy the flaws in the Proposed Plan that will leave the country without the access to its offshore energy resources that otherwise could provide critically needed jobs, revenues, and energy far earlier than a 2017-2022 timeframe. This is simply too long to wait for the benefits from these resources that the public demands today and were anticipated when the presidential and congressional moratoria were lifted in 2008.

Throughout this process, NOIA and its member companies want the BOEM to understand the enormous impact offshore oil and gas production has on our nation's economy and energy security. Not only does offshore production create jobs and revenue throughout all 50 states, offshore energy resources will be needed to meet increasing consumer demands for oil and natural gas for decades to come.

Sincerely,



Luke Johnson  
Director, Congressional and Regulatory Affairs  
National Ocean Industries Association