**Statement for the Record from the
National Ocean Industries Association
For the
Legislative Hearing on Draft Outer Continental Shelf Bill
Wednesday, October 11, 2017 2:00 PM
Before the
Natural Resources Subcommittee on Energy and Mineral Resources
1334 Longworth House Office Building Washington D.C. 20515**

Chairman Gosar, Ranking Member Lowenthal, thank you for the opportunity for the National Ocean Industries Association (NOIA) to provide comment and suggestions on draft offshore legislation.

Comprised of approximately 250 member companies, NOIA is the only national trade association representing all segments of the offshore energy industry. For over 45 years, NOIA has been committed to ensuring a strong, viable U.S. offshore energy industry capable of meeting the energy needs of our nation in an efficient and environmentally responsible manner. NOIA member companies are engaged in traditional oil and natural gas exploration and production, as well as offshore wind energy development. Our member companies are proud that they have been able to contribute to America's energy security, and we want to be able to continue providing that service.

As we have testified before, the offshore oil and gas leasing program has been a resounding success for American taxpayers and energy consumers. Even today, under depressed oil and natural gas prices, the offshore U.S. produces about 19% of our nation's oil and about 5% of its natural gas. The offshore is, and has been, a major factor in the U.S. becoming the world's leading producer of oil and natural gas. Offshore oil and natural gas provides a geographically diverse source of energy, which results in greater energy reliability and security.

This is even more remarkable given there is so little of the outer continental shelf (OCS) that is available for exploration. Under current Federal policies, roughly 90% of the U.S. offshore is barred from exploration, including the entire Atlantic. No other country along the Atlantic Basin with an offshore oil and gas leasing program has closed so much of its energy potential. In fact, we don't even know what the energy potential is, because we have not obtained any new seismic data for roughly 30 years.

As you consider the draft legislation we would like to focus on a few topics and provide some additional suggestions.

SECTION 2

In addition to providing energy to our nation, the offshore oil and natural gas industry has provided billions of dollars to the U.S. Treasury through bonus bids, rental payments and royalties. Thanks to the bipartisan Gulf of Mexico Energy Security Act, which became law in 2006, a portion of those industry funds are available to the Gulf of Mexico states as well. The offshore oil and natural gas industry is also the sole source of funding for the Land and Water Conservation Fund and the National Historic Preservation Fund.

NOIA has long supported revenue sharing to provide coastal states and coastal communities a share of the revenue produced from offshore energy generation. While the legislation accomplishes this goal for new areas, we would encourage the Committee to ensure that the legislation applies to all energy resources, including alternative energy such as wind, and revenues produced in the OCS to the benefit of the states and coastal communities.

SECTION 4

As we stated before, the amount of the OCS available for exploration is miniscule when compared with the resources available. We have long asked Congress and multiple Administrations to open new areas to offshore exploration. While there are no guarantees that resources will be available, there is sound reasoning to allow science and exploration to guide our resource policies rather than politics. It is important when establishing areas closed to energy development that we have a clear understanding of the impacts of the decisions and not simply allow areas to be closed. This legislation will establish a more deliberative process for creating closures and ensure that sound science and the interests of the American people are protected.

SECTION 5

While the bill creates a new venue for the Secretary to plan for additional lease sales, now could be the time to consider a broader reform of the OCSLA Five Year Program planning process.

The Administration holds an opportunity to create a long-term energy policy. The narrative has changed from energy dependence to energy security to energy independence, and now, within just the last few months, energy dominance. Strong words, but we will need stronger action to make this goal a reality. This legislation joins the Administration in moving us towards energy dominance by opening the discussion about how we manage the energy sources off our coasts. Due to past federal policy decisions, roughly 90% of the US outer continental shelf is currently closed to oil and natural gas exploration. No other country bordering the Atlantic Basin with an offshore oil and natural gas program has closed so much of its offshore acreage to exploration.

To be fair, in 2011, President Obama did actually celebrate Atlantic drilling, saying, “At a time when we’ve been reminded how easily instability in other parts of the world can affect the price of oil, the United States could not be happier with the potential for a new, stable source of energy." Unfortunately, he was talking about Brazil’s Atlantic basin, and said “the United States wants to be a major customer, which would be a win-win for both our countries." We disagree. Energy security, energy independence, and energy dominance are wins; energy imports are not.

Five-Year Programs are political documents that can be manipulated by each administration to meet short term political objectives. Consider that four separate Five Year Programs have been proposed over the last 10 years. What kind of math is that? Political math! If we truly want a comprehensive energy policy, we should consider a rational offshore energy plan that lasts a generation, incorporates all the energy resources of our OCS, and balances the multiple uses of our oceans among all ocean stakeholders.

Imagine if instead of swinging from administration to administration, we could develop an energy plan that would provide guidance for a generation. Since the 1970s, there has been a national discussion about the importance of a concerted America focused energy plan and yet we still don't have one. Why America doesn't have such a plan is complicated, but if the U.S. were to enact a bold generational offshore energy policy, every stakeholder would benefit. Truly environmentally sensitive areas would be ensured continual protection; the oil, gas and wind industries would have the consistency, surety and ability to implement long-range plans; and other important ocean stakeholders, such as fishermen, the shipping industry and the U.S. Department of Defense would all benefit from a well-defined policy.

Leasing and exploration would still require environmental reviews and permitting, but companies could base the use of capital on a long-range view, rather than a five-year start-and-stop philosophy. Wind, wave and other renewable industries would also gain the surety necessary for the capital investments needed to bring their contributions to the energy mix of the future. Unique non-energy areas would have that undisturbed designation for years. Coastal states and communities would have consistency and not have to make ocean energy policy decisions on the whim of year-by-year resolutions.

What would it take to get is done? First, cooperation among all stakeholders is required. This must be a joint effort of the Administration and Congress, and it must include the participation of industry, non-governmental organizations and the general public. Second, stakeholders must be willing to compromise where necessary to reach a meaningful plan. Third, dedication, strength, and the desire to see this through are essential. Fourth, all parties must see the end product as a mutually beneficial win. A planning process that results in a 10, 15, or even 25-Year Energy Plan will strengthen America's position as the global energy leader and put us on a path to develop offshore wind, wave and oil and gas resources in the OCS while balancing all of our important ocean resources for generations to come. A solid, sustainable, long range plan will demonstrate that all energy sources can be developed safely and that not all areas have to be developed. Based on what's happened over the last 10 years, it is easy to see our energy picture will be very different in 25 years. A long-range plan will provide a platform to allow markets and consumers the flexibility with their energy priorities and will secure the energy future for the next generation.

SECTION 6

NOIA has long supported a clearer, more consistently authorized process for the collection of inspections fees on operators in the OCS. The current process, which operates entirely through a budget submission from the President enacted by the annual appropriations process, fails to provide a clear, transparent and steady funding system for the agencies and no predictability for operators. We strongly encourage the Committee to consider replacing this placeholder language with previous legislation considered by the Committee to establish a clear authorization as well as transparent pricing, collection and accountability for funding at the agencies.

SECTION 8

We commend the bill's elimination of the Arctic Rule, which raises serious questions as to its workability with regard to future Arctic operations. Despite taking years to write, the rule does not accurately reflect current industry capabilities and includes unnecessary requirements, such as same season relief wells, which may not be needed due to the availability of new response and containment equipment. Prescriptive requirements in the rule could thwart industry innovation and development of new technology, and may not actually increase operational safety.

CLOSING

Finally, we are excited that the Committee is moving to consider OCS legislation, and look forward to supporting the effort to bring greater energy security, jobs and investment to the United States.