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OCEAN  
INDUSTRIES  
ASSOCIATION**

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*Submitted via regulations.gov*

**Subject: Oil and Natural Gas Industry Comments on Request for Comments on the Draft Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2019-2024 and Notice of Intent to Prepare a Programmatic Environmental Impact Statement**

Docket ID: BOEM-2017-0074

The National Ocean Industries Association (NOIA) represents more than 250 companies engaged in all sectors of the U.S. oil and natural gas industry, including exploration, production, equipment manufacture and supply, geophysical, catering, transportation, and other diverse offshore support services. Either directly or indirectly, our member companies are all working to explore for and produce energy and hydrocarbon resources from the nation's Outer Continental Shelf (OCS) in an environmentally sensitive and responsible manner. Therefore, it should come as no surprise that we have strong views focused on energy development from the domestic offshore, and our interest in the development of the new Five Year Program is substantial. These comments supplement others submitted jointly with fellow industry trade associations.

The Draft Proposed 2019-2024 National OCS Leasing Program will define the shape and scope of domestic offshore energy development and opportunities for the future of America. This proposed plan is the first in nearly two generations to look at virtually all federal OCS lands and examine new areas beyond the Gulf of Mexico to determine the extent to which the nation is committed to addressing its growing energy supply problems. It will serve as the foundation for significant investment in jobs, technology and infrastructure throughout the nation. It will be the catalyst for significant revenue streams into the federal treasury and to states and conservation programs. It will guide the development of domestic energy reserves to fuel our economy. The program will also articulate a national energy policy that will continue to compete within the global energy marketplace.

#### Summary of Our Position

NOIA strongly encourages the Secretary to proceed with lease sale planning in all 25 planning areas proposed in the Draft Proposed Plan, with a significant priority on the

annual offering of all acreage in the Central and Western Gulf of Mexico and opening of the Eastern Gulf of Mexico as soon as the current moratorium expires; and early leasing in the Beaufort and Chukchi Seas as well as in the Mid, South, and North Atlantic and Southern California Planning areas.

### The Outer Continental Shelf Lands Act

The Outer Continental Shelf Lands Act (OCSLA) states that it is the policy of the United States that: “the outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs.”

Section 18 of the OCSLA requires the Secretary to prepare and maintain a schedule of OCS lease sales determined to “best meet national energy needs for the five-year period.” However, modern offshore infrastructure development isn’t about meeting energy needs this year, or even in the next five years, but planning for domestic energy supply for the decades to come. That is why a broad comprehensive plan can help mitigate the “fundamental imbalance” between the nation’s ability to supply needed energy reserves and the growing demand in national energy consumption. In addition, the broadest plan can address both regional dependence and domestic infrastructure shortcomings.

Section 18(a)(2) enumerates the criteria to be considered in developing the Five-Year Plan, including existing information on all the regions, an equitable sharing of developmental benefits and environmental risks among the various regions, the relative environmental sensitivity and marine productivity of different areas, and the relevant environmental and predictive information for the different areas.

### Regional Balancing of Supply and Demand

America’s offshore hydrocarbon production has primarily occurred in the Gulf of Mexico. While repeatedly showing resilience in the face of massive hurricanes in the Gulf, the offshore industry has proven its strength to successfully ride out major storms while remaining largely intact. However, this also shows the shortsightedness of limiting our energy production to one small area of the OCS, and the foresight of the Congress when it required in the OCSLA that there by an “equitable sharing” among the offshore regions. We urge the Secretary to learn from the lessons of the past as the Department of the Interior develops the new Five-Year Program, and give the plan maximum flexibility, by including new areas in the Proposed Program, in order to respond to our nation’s needs for energy, economic growth and national security during the period of 2019-2024 and beyond.

It is important to note that regional demand and onshore infrastructure constraints continue to make specific parts of America significantly dependent on foreign energy. These regional dependence issues are why the OCSLA directs the Secretary to look at all interests in an area when considering energy leasing. While there are many examples of geographical constraints we will provide two real examples currently facing American

consumers and how responsible development under the OCSLA could address those concerns, specifically with California and Massachusetts.

### California's Growing Foreign Energy Dependence

California is a national leader in alternative vehicle technology and has pushed the national envelope with efficiency demands, taxpayer investments in clean transportation, and political support for burgeoning industries. Since 1996, California has reduced its demand for barrels of oil from 644 million barrels per year, to 624 million barrels per year in 2017 while at the same time increasing population from 32 million people in 1996 to 39.5 million people in 2017.

While California has made great strides in reducing the demand for oil, there still continues to be a tremendous need for oil and petroleum products in the state. Unfortunately, at the same time California was making these strides on the demand side, it has stifled the domestic oil supply side. The result is that since 1996, California's insatiable hunger for foreign oil has grown from 10% of supply (77 million barrels), to 56.6% (354 million barrels) in 2017. This more than 456% increase in demand of foreign oil flowing to California isn't the result of one specific policy, but a strategic tragedy of policies. California is still home to some of the largest oil reserves; however in-state oil production has fallen by a third. Alaska was the next largest source of oil; however that supply has fallen by nearly 75% as Alaskan field's mature and new production is limited. Although the U.S. is undergoing an oil renaissance, the lack of pipelines and rail capacity means that new discoveries in North Dakota or Texas just simply can't reach the California markets. That has left California no choice but to import ever growing amounts of foreign oil.

What does this growing dependence on foreign oil mean? In 2016 it meant purchasing more than 100 million barrels of oil from Saudi Arabia and transferring approximately \$5 billion of wealth from California to the Kingdom. What could that investment have meant if it was purchasing American oil produced in California instead of Saudi Arabia? In the first 10 years after leasing starts, it would mean nearly \$1.6 billion in Federal and State revenue, 91,855 jobs, and more than \$7.6 billion in contribution to the economy, through the purchasing power of workers, associated industries and direct investment in the U.S.<sup>1</sup>

In addition, beginning in 2006, Russian petroleum imports to the West Coast (PADD 5) were nearly non-existent; however, today those imports are averaging nearly 1,000,000 barrels a month. It is easy to agree that a nation rich in oil and gas resources shouldn't be dependent on Russian imports to meet our demand.

How can this be reversed? According to the Bureau of Ocean Energy Management (BOEM) Pacific Outer Continental Shelf Region 2016 Assessment of Oil and Gas Resources: Assessment of the Pacific Outer Continental Shelf Region:

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<sup>1</sup> The Economic Impacts of Allowing Access to the Pacific OCS for Oil and Natural Gas Exploration and Development Prepared For: The American Petroleum Institute (API) Prepared By: CALASH

The total volume of UTRR (including crude oil and condensate) of the Region as of January 1, 2014, is estimated to range from 6.96 to 14.03 Bbbl with a mean estimate of 10.20 Bbbl. Relatively large volumes of these oil resources (greater than 1 Bbbl) are estimated to exist in the Point Arena, Bodega, and Santa Maria-Partington basins of the Central California Province, Santa Barbara-Ventura basin Province and Oceanside basin of the Inner Borderland Province. The total volume of undiscovered technically recoverable gas resources (including associated and nonassociated gas) in the Region is estimated to range from 10.52 to 23.92 Tcf with a mean estimate of 16.1 Tcf. Relatively large volumes of these gas resources (greater than 1 Tcf) are estimated to exist in the Washington-Oregon area and Eel River basin of the Pacific Northwest Province, the Point Arena and Bodega basins of the Central California Province, the Santa Barbara-Ventura Basin Province, the Lost Angeles-Santa Monica-San Pedro area and Oceanside basin of the Inner Borderland Province, and the Cortes-Velero-Long area of the Outer Borderland Province. The most prolific plays are those having fractured siliceous reservoir rocks. These rocks are presumed to occur in the most of the other southern California basins.<sup>2</sup>

Simply put, we should develop a plan to access the nearly 10 billion barrels of oil potentially sitting right off the California shore. That amount is equal to nearly three decades of foreign imports to California, enough, when developed, to end California's foreign dependence through 2050.

In addition, because California, along with Washington (46% dependent on foreign oil) and Oregon, are the primary beneficiaries of Alaskan development, a plan that strongly promotes the measured and responsible development of the Beaufort and Chukchi seas and potential exploration in other areas of the Alaska OCS could directly reduce the foreign demand of the states on the Pacific Coast.

### Massachusetts and American Northeast

A recent editorial in the *Boston Globe* highlighted the growing dependence on America's northwestern power markets for imported Russian liquefied natural gas. The Editorial stated:

“This winter’s unprecedented imports of Russian liquefied natural gas have already come under fire from Greater Boston’s Ukrainian-American community, because the majority shareholder of the firm that extracted the fuel has been sanctioned by the US government for its links to the war in eastern Ukraine and Russia’s illegal annexation of Crimea.... But apart from its geopolitical impact, Massachusetts’ reliance on imported gas from one of the world’s most threatened places is also a severe indictment of the state’s inward-looking environmental and climate policies. Public officials, including Attorney General Maura Healey and leading state senators, have leaned heavily on righteous-sounding stands against local fossil fuel projects, with scant consideration of the global impacts of their actions and a tacit

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<sup>2</sup> <https://www.boem.gov/2016-Assessment-of-Oil-and-Gas-Resources-Assessment-Pocs/>

expectation that some other country will build the infrastructure that we're too good for.

As a result, to a greater extent than anywhere else in the United States, the Commonwealth now expects people in places like Russia, Trinidad and Tobago, and Yemen to shoulder the environmental burdens of providing natural gas that state policy makers have showily rejected here. The old environmentalist slogan — think globally and act locally — has been turned inside out in Massachusetts. ....The policy of Massachusetts, apparently, is to hope that the Russians are on top of it — and that the world beyond the state's borders manages the impacts of fossil fuel production and transportation that the Commonwealth buys and uses, but considers itself too pure to handle itself.”<sup>3</sup>

Simply stated, instead of building infrastructure to bring the wealth of domestic natural gas from Pennsylvania, Ohio and West Virginia into the northeast, some states are choosing to import natural gas from Russia and foreign markets.

But this doesn't have to be the only choice; responsible development of the OCS in the North Atlantic can address this dependency as well. If you look just across the border into Canada, you see a growing OCS development program in the waters off of Labrador and Nova Scotia. In addition, once again, BOEM estimates for the Atlantic have shown that the North and Mid Atlantic planning areas are particularly prime areas for gas development<sup>4</sup> with undiscovered technically recoverable resources of nearly 35 trillion cubic feet of natural gas. Building offshore infrastructure and bringing pipelines onshore can certainly reduce the foreign dependence, while relieving some pressure on capacity demands requiring pipelines to cross multiple states to reach the markets.

### Safety and Tourism

The offshore energy industry has never been safer than it is now. The industry has accomplished a generational leap in technology dealing with well monitoring, well design, and spill response and clean up. We support environmentally responsible exploration and production not just in the Gulf of Mexico, but in all offshore areas where it makes sense to do so. Industry and government regulators continue to examine and strengthen safety regulations for offshore production, and industry has allotted substantial resources to prevent any significant event. Industry has invested heavily in a workforce of highly trained people knowledgeable about safety practices and committed to a culture of safety. One benefit of expanding our regional OCS footprint is restoring alternative drilling options beyond the deepwater development of the Gulf, to shallow water development off of other coastal areas.

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<sup>3</sup> <https://www.bostonglobe.com/opinion/editorials/2018/02/12/our-russian-pipeline-and-its-ugly-toll/K0wQ7FBTGR756DqorYkwxN/story.html>

<sup>4</sup> 2016 Atlantic Outer Continental Shelf Resource Inventory Assessment of Oil and Gas Resources - Inventory of Technically and Economically Recoverable Hydrocarbon Resources of the Atlantic Outer Continental Shelf as of January 1, 2014: BOEM 2016-071

Finally, many opposed to offshore oil and natural gas activities cite concerns over conflicts with existing activities and the local way of life. However, pitting development of the OCS against tourism, fishing, or recreation creates a false choice. The oil and gas industry has decades of experience in the Gulf of Mexico and off the coast of California showing that oil and natural gas development and other ocean industries can co-exist and thrive alongside each other. This has been proven time and again. Be it interactions with the Department of Defense, development of fishing or conservation resources like sanctuaries, the oil and gas industry has proven capable of being a good neighbor and compatible operator in the shared ocean space.

### Closing

In closing, we want to reiterate NOIA's support for the broadest possible OCS plan. A plan which recognizes that opening new areas for exploration can reduce our regional dependence on foreign oil and natural gas, can create jobs, give America greater economic, energy and national security, and simultaneously preserve the shared environmental and social values which make America special. This broad plan is the plan which will ensure that America is never held hostage by foreign oil cartels. This is the broad America First plan which will ensure a generation of American energy dominance.

Sincerely,

A handwritten signature in black ink that reads "Tim Charters". The signature is fluid and cursive, with a large initial "T" and "C".

Timothy Charters  
Senior Director, Government and Political Affairs  
National Ocean Industries Association.