

Responsible Domestic Oil & Gas Production

When President Obama took office, America imported 11 million barrels of oil a day. The President has put forward a plan to cut that by one-third by 2025. We are already making progress towards that goal. Last year, America produced more oil than at any time since 2003. To encourage responsible production, the Administration is taking a series of steps to leverage existing authorities. These initiatives are part of the Administration's overall *Blueprint for a Secure Energy Future*, a broad effort to secure America's energy future and protect consumers by producing more oil at home and reducing our dependence on oil by using cleaner, alternative fuels and improving our energy efficiency. The Administration is also calling on Congress to act on a series of legislative principles to further expand timely and safe domestic oil and gas development.

Actions to-date

The Administration has already committed to:

- **Extending all Gulf leases affected by the moratorium:** The Administration will extend the term of leases for Gulf of Mexico leaseholders affected by the temporary drilling moratorium in the wake of the BP Deepwater Horizon Oil Spill. DOI has already granted ten such extensions.
- **Extending certain offshore leases in Alaska:** Leases in the Chukchi Sea have been extended. The Department of the Interior (DOI) will be extending certain leases in the Beaufort Sea in recognition that plans for exploration in that area over the past two seasons have been delayed. This measure will also account for the time needed for industry to appropriately comply with safety and environmental standards. DOI has estimated that over 26 billion barrels of oil could be recovered from the Alaska Outer Continental Shelf (OCS).
- **Providing incentives to spur efficient oil and gas development:** Today, more than 70 percent of the tens of millions of offshore acres under lease are inactive – including almost 24 million inactive leased acres in the Gulf of Mexico, where an estimated 11.6 billion barrels of oil and 59.2 trillion cubic feet of natural gas of technically recoverable resources are going unused. Onshore, about 57 percent of leased acres – almost 22 million acres in total – are neither being explored nor developed. The Administration is developing new incentives for responsible development. Offshore, existing authorities make it possible to shorten the base term of leases, where appropriate, and reward diligent development with extensions, providing industry with an incentive to develop. Different fee and royalty structures may promote more expedited development.
- **Expediting the search for resources in the Mid- and South-Atlantic:** Ensuring that development takes place in the right ways and the right places is critical to the success of both renewable and conventional energy strategies. DOI is taking steps to expedite the process to understand oil and gas resources in the mid and south Atlantic.
- **Holding Western and Central Gulf lease sales by mid-2012:** DOI will hold the Western and Central Gulf of Mexico lease sales that were postponed last year, consistent with the strengthened environmental review in light of lessons learned from the Deepwater Horizon oil spill.

- **Holding annual onshore lease sales in the National Petroleum Reserve in Alaska (NPR-A):** The National Petroleum Reserve-Alaska (NPR-A) is a vast 23-million acre area on Alaska's North Slope. Originally set aside as an oil reserve for the United States Navy, NPR-A has been managed by DOI since 1976 “to meet the energy needs of the Nation,” while providing “maximum protection” for fish and wildlife. While respecting environmentally sensitive areas like Teshekpuk Lake, the Administration will hold annual lease sales in the NPR-A in accordance with the current leasing plan. The U.S. Geological Survey recently estimated that about 500 million barrels of undiscovered oil are economically recoverable in the NPR-A at \$90 per barrel prices. The Administration will hold annual lease sales in this region.
- **Coordinating Alaska permitting with a new, high-level interagency working group:** Interagency coordination is important for the efficient processing of permits throughout the OCS, and the Administration’s *Blueprint* specifically notes that such coordination is necessary and important to facilitate responsible oil and gas development in Alaska. A number of agencies within the Federal government have mandates to ensure that Arctic development projects meet health, safety, and environmental standards. The Administration will formalize ongoing interagency collaboration and establish a high-level, cross-agency team to facilitate a more efficient permitting process in Alaska while ensuring that all permitting standards are fully met.
- **Facilitating collaboration and coordination of research to expand safe oil and gas development:** DOI has established the Ocean Energy Safety Advisory Committee to facilitate collaboration and coordination among government, industry, and academia on issues related to the safety of oil and gas operations on the OCS, including oil spill prevention, blowout containment and oil spill response. Chaired by former Sandia National Laboratory Director Tom Hunter, the Committee consists of 15 members representing Federal agencies, the offshore oil and gas industry, academia, and non-governmental organizations.

Congressional action

To further enhance domestic development activities, the Administration has identified a number of legislative principles that would facilitate timely and safe domestic oil and gas development:

Provide incentives for the prompt development of oil and gas leases

- Amend the **Mineral Leasing Act** of 1920 to allow for oil and gas leases that are less than 10 years in length. Current law requires that all onshore oil and gas leases extend for a full 10 years. This removes the Secretary’s flexibility to encourage more prompt investment in domestic oil and gas development by issuing leases with shorter terms.
- Establish incentives for lessees with nonproducing oil and gas leases that will encourage companies to either get their leases into production in a timely manner or relinquish them.

Provide the tools for the Federal government to oversee offshore oil and gas development activities on a timely and effective basis

- Codifying safety and environmental standards for offshore oil and gas development that have been established through administrative procedures by the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE). These measures, which were put in place in the wake of the *Deepwater Horizon* oil spill, set rigorous standards for safety and

responsibility and are the most extensive reforms to offshore oil and gas regulation and oversight in U.S. history. They strengthen requirements for everything from well design and workplace safety to corporate accountability, and are helping ensure that the United States can safely and responsibly expand development of its energy resources consistent with our stewardship responsibilities. Consistent with these rigorous standards, the Department continues to facilitate domestic production by issuing permits.

- Statutorily extend exploration plan approval time under the Outer Continental Shelf Lands Act (OCSLA) to allow for appropriate environmental review.
- Formalize existing research collaboration by authorizing an Ocean Energy Safety Institute to connect government, industry, academia, and outside experts devoted to developing cutting-edge safety, containment, and response capabilities.
- Formalize the reorganization of the Bureau of Ocean Energy Management, Regulation and Enforcement and authorize BOEMRE to hire and maintain an expert workforce by:
 1. Statutorily splitting BOEMRE into three entities: (1) Bureau of Ocean Energy Management responsible for managing offshore development; (2) Bureau of Safety and Environmental Enforcement charged with enforcing safety and environmental regulations; and (3) Office of Natural Resource Revenue (ONRR) responsible for collecting and disbursing revenues from energy production; and
 2. Authorizing special hiring authorities for BOEMRE that allow the agency to address hiring for critical positions during times of need and at competitive salaries.

Ensure a fair return for American taxpayers and accountability for safety violations and oil spills

- Repeal portions of the Energy Policy Act of 2005 that expanded a now-outdated royalty relief program for offshore drilling operators thereby providing a better return to the American taxpayer.
- Raise or eliminate the per-incident limit on access to the Oil Spill Liability Trust Fund to ensure that the Federal government can access the resources it needs to clean up an oil spill. The \$1 billion per-incident cap on expenditures out of the Fund is insufficient and could constrain the Federal government's ability to respond to oil spills.
- Repeal arbitrary limits on liability for damages resulting from offshore drilling, which have served as an implicit subsidy for the oil and gas industry for two decades.
- Increase civil and criminal penalties for companies that fail to comply with the requirements of OCSLA and DOI's implementing regulations, which include safety and environmental standards.