Center for American Progress Action Fund

Testimony before the House Energy and Commerce Committee, Subcommittee on Energy and Power

"The American Energy Initiative: A Focus on Growing Differences for Energy Development on Federal vs. Non-Federal Lands"

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Chairman Whitfield, Ranking Member Rush, and members of the committee, thank you very much for the opportunity to testify today. It's a real honor.

I am Christy Goldfuss, Director of the Public Lands Project at the Center for American Progress Action Fund, a nonprofit organization dedicated to improving the lives of Americans by transforming progressive values and ideas into policy. We develop and support land management practices for our 700 million acres of taxpayer-owned land that result in sustainable development of our natural resources while conserving lands to support clean air, clean water, and our American heritage.

Let's start where most of us agree—oil and gas development is an appropriate use of our federal lands. It's essential for our national security to reduce our dependence on foreign sources of oil, and we are making significant strides in that direction. For the first time in 14 years, the United States imported only 45 percent of the nation's oil, due in great part to the extensive tight oil production in North Dakota and Texas.

But we should also agree that the public lands owned by all Americans are for multiple uses, including hunting, fishing, grazing, hiking, and recreation, and not just energy production. The Federal Land Policy and Management Act specifically defines the term "multiple use" as:

> … the management of the public lands and their various resource values so that they are utilized in the combination that will best meet the present and future needs of the American people … with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return or the greatest unit output.

A progressive approach to land management recognizes that land conservation is an essential element of the multiple-use mandate, and such lands are an important part of any comprehensive energy portfolio. In other words, an "all of the above" energy strategy does not mean an "all of the acres" or "oil above all" strategy. The vast public estate in its natural form is essential to offset the pressures of our expanding population. The national forests are natural filters for clean water and absorb some carbon pollution. The wide-open spaces of wilderness on Bureau of Land Management lands help support habitat for hunting and fishing. And the national parks are a fundamental element of our American heritage.

Beyond the importance of conserving lands for the health of our society, they also support an outdoor recreation industry that directly employs three times more workers than the oil and gas industries. These jobs are in many economic sectors like manufacturing, transportation, and retail. That's $646 billion in outdoor recreation spending each year with $39.7 billion in state and local tax revenue.

If managed wisely, our public lands and waters can serve multiple national purposes, among them:

- Addressing our current energy needs
- Ensuring clean air and water for our nation
- Providing places for hunting and outdoor recreation
- Protecting American treasures for future generations

When it comes to the first challenge on the list—addressing our current energy needs—there are already significant amounts of fossil fuels produced from federal lands and waters. In March the U.S. Energy Information Administration, or EIA, released a report that showed approximately 30 percent of the oil, 20 percent of the natural gas, and 45 percent of the coal produced in the United States comes from public lands and waters.

As President Barack Obama said last March, "we are drilling all over the place." Oil production from federal lands and waters is higher than in 2008, 2007, or 2006. The EIA determined that in 2011 the United States produced 646 million barrels of crude oil from federal lands and waters compared to 575 million barrels in 2008—a 12 percent increase in production. And oil production from federal areas was higher every year from 2009 to 2011 than from 2006 to 2008.

Regarding new lands offered for oil and gas development, the Bureau of Land Management held three of the top five largest sales in the agency's history in calendar year 2011, and this year, it has approved controversial projects to drill in the Arctic Ocean and close to wilderness areas near Desolation Canyon, Utah. With this level of oil and gas activity on public lands, it is clear why a recent *New York Times* article about oil and gas production on public lands said, "The score card shows that the industry is winning."

In addition, data from the first year of this administration's oil and gas reforms show more signs of good news for the oil and gas industry. These reforms were established after a court formally blocked the Bureau of Land Management from issuing 77 leases sold at the end of the Bush administration. The changes were designed to make oil and gas leasing on public lands more efficient and transparent. Plus, the new rules provide the Bureau of Land Management with the opportunity to consider other uses of the land in order to identify the best areas for oil and gas development.

These reforms were not officially in place until the start of 2011, but initial data reveal some encouraging trends. In the report "Making the Grade (Almost)," The Wilderness Society analyzed government data for calendar year 2011 and the first quarter of 2012, and it appears that there has been a dramatic reduction in litigation against oil and gas leases in most places.

Prior to the reforms, from 2007 to 2009, 83 percent of leases offered in the intermountain West were challenged. At that time, there was little opportunity for the public to participate in the process without litigation. For 2011, however, the only full year that the reforms have been in place, 25 percent of the leases offered were protested in the intermountain West. That's nearly a two-thirds reduction in protests in the first year, and data from the first quarter of 2012 show a continuation in that trend.

Other efforts to increase certainty for oil and gas producers by reducing the length of permitting reviews have had some success. According to a May report released by the Department of the Interior, the backlog of applications for permits to drill, or APDs, has been reduced by 24 percent since 2008. Plus, the department recently announced a new "automated tracking system" that it hopes will reduce the time to review and issue a lease by two-thirds. In normal circumstances this should allow operators to receive permits in 60 days or less.

These efforts to improve the process for the oil and gas industry have continued, despite the fact that the industry has an extensive inventory of leases that it is not developing. Onshore, the Department of the Interior found that 56 percent of the leased acres in the lower 48 states are not in production or exploration. The percentage is even larger offshore, where 72 percent of leased acres are not in production or exploration.

This simply means that the industry currently holds the keys to vast amounts of publicly owned resources but has chosen not to move forward at this time with development. As of the end of fiscal year 2011, there were more than 38 million onshore acres under lease, but the industry was only actively producing on just more than 12 million acres. The story holds true down the line, given that as of the end of fiscal year 2011, the industry was holding more than 7,000 authorized permits to drill with parcels that were unexplored or undeveloped.

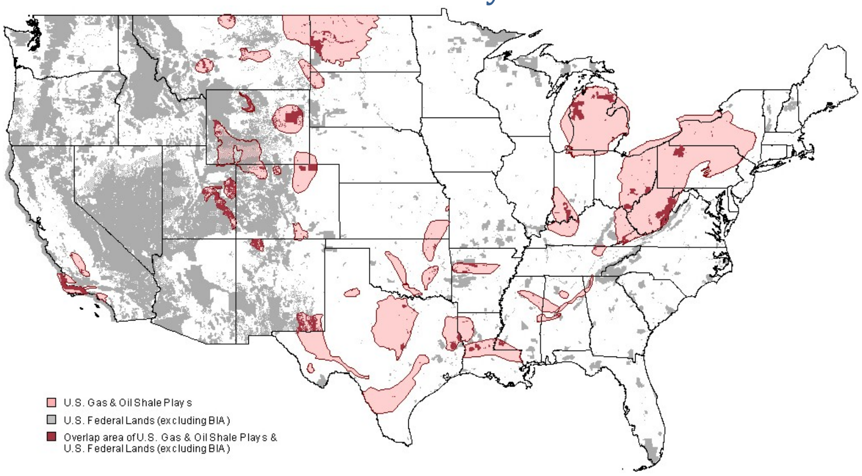
In addition to the idle leases, there have been several indications that the industry is less interested in the actual resources available on public lands and waters. As the EIA put it:

> The rapid increase in natural gas production from shale resources over the last 5 years has significantly affected natural gas prices and the relative attractiveness of Federal and Indian lands as areas for development of conventional natural gas resources.

As the price of natural gas dropped, there was a dramatic decline in the amount of public land nominated by the industry for leasing. Since fiscal year 2006 (during the Bush administration), there has been nearly a 67 percent decline in the amount of onshore public land nominated by the industry in the Rocky Mountain States. As one industry expert told *The Wall Street Journal*, "It is safe to say that there will be fewer natural gas wells drilled in 2012." Given the current low price of natural gas, there is simply less demand from industry to drill at all, let alone on public lands.

In addition, the oil and gas industry has been less focused on public lands and waters, since many of the best resources are currently located on private land, as can be seen in the map below. The growing tight oil production in the Bakken play of North Dakota is a prime example. Plus, shorter time limits and higher rental rates on private lands have also motivated the industry to develop those leases first. The oil and gas industry drills where the best resources are and the best resources have recently been on private lands.

Lower 48 Oil and Gas Shale Plays and Federal Lands



Source: EIA

These conditions have driven much of the development on private lands, but the federal government has kept pace. As the Congressional Research Service reported, "About 96% of the increase since 2007 took place on non-federal lands, but the federal share of total U.S. production only fell by about 2 percentage points." In short, there is currently a lot of oil and gas drilling on public lands, and the industry has the access to do more drilling if it decides that it works for its bottom line.

The recent natural gas boom has been accompanied by growing concerns about the health and environmental impacts of extensive drilling. Vernal, Utah, population 9,000, recently began to experience ozone levels that rival those of Los Angeles because of the increased drilling in the area—much of it on public lands. Sportsmen in Wyoming have organized to stop a drilling project in the Noble Basin of the Bridger-Teton National Forest because they are concerned about the impacts the drilling will have on wildlife in the region, such as antelope and mule deer.

This raises a fundamental question about how to balance oil and gas development with the other uses of these places that belong to all Americans. Such an approach to public lands management requires that we recognize that their "multiple uses" have economic value beyond their ability to put people to work for the oil and gas industry. A Colorado College State of the Rockies poll released earlier this year, for example, shows that 91 percent of voters surveyed in six western states see protected public lands, such as wilderness areas and national parks, as "essential" to their states' economies.

Earlier this summer, the Outdoor Industry Association released a report in conjunction with the Western Governors' Association that reveals the overall economic impact of the outdoor industry. This diverse industry is larger than the pharmaceutical, household utility, and gasoline and other fuel industries, creating 6.1 million American jobs nationwide. The outdoor industry is responsible for $646 billion in direct spending, $39.9 billion in federal tax revenue, and $39.7 billion in state and local tax revenue.

The report goes on to say:

> Supporting the outdoor recreation economy are our nation's public recreation lands and waters. Not only is access to quality places to play outside critical to our businesses, it is fundamental to recruiting employers and at the heart of healthy and productive communities. Open spaces and recreation areas are magnets that draw after-work activity and tourists alike.

In fact, the nonpartisan firm Headwaters Economics found that non-metro western counties with more than 30 percent of their land under federal protection increased jobs at a rate four times faster than non-metro counties with no federally protected lands.

America's protected public lands are big business, and they deserve as much attention as the other uses of the vast public estate.

The very idea that oil and gas drilling on public lands should track with development on private lands ignores the multiple-use mandate bestowed upon the public lands agencies and instead implies that oil and gas development is the single-most-important use of these lands. If we were to take this myopic approach to managing an asset that belongs to all Americans, we would endanger these other uses.

The negative impact on the other uses would come at great expense to the American public with very little return. Experts agree that more drilling has *no impact* on the price at the gasoline pump. The *Associated Press* analyzed 36 years of monthly domestic oil production and gasoline price data and found "no statistical correlation" between domestic oil production and gas prices. Even analysts from conservative think tanks agree with this point, such as Ken Green of the American Enterprise Institute who said that, "If the U.S. produced more of its own oil, it would probably reduce imports, but it's not likely that it would reduce prices."

The relationship between a corporation and a private landowner is inherently different than that of the federal government and a corporation, and most would agree that it should stay that way. A private landowner only has his or her own interests in mind, not those of hunters, anglers, mountain bikers, hikers, or future generations. It is a remarkably challenging job given to those in the land management agencies to manage so many different interests. But it is essential for our country and our society as well as compliance with the law that they strive for balance, which means that oil and gas cannot stand above the rest.

The flip side of that coin is that conservation should be considered as part of any development scenario. This could mean analyzing the loss of hunting and fishing habitat when proposing new acres to be leased for oil and gas production, or an economic analysis of how developing a certain area would impact the recreation industry. Such a progressive approach to this unparalleled American asset ensures that it continues to pay off for decades to come.

A balanced approach to managing the public lands and waters that belong to all Americans is necessary for our health and enjoyment. Oil and gas development can be an appropriate use of some of these lands, but it must not come at the expense of hunting, fishing, recreation, and an overall healthy environment. As President Theodore Roosevelt said, America's great natural resources "must be used for the benefit of all our people, not monopolized for the benefit of the few."