OVERSIGHT HEARING ON OUTER CONTINENTAL SHELF OIL AND GAS LEASING

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

OF THE

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HOUSE OF REPRESENTATIVES

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OVERSIGHT HEARING ON OUTER CONTINENTAL SHELF OIL AND GAS LEASING

THURSDAY, MAY 14, 1998

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES,
COMMITTEE ON RESOURCES, *Washington, DC.*

The Subcommittee met, pursuant to notice, at 2:24 p.m., in room 1334, Longworth House Office Building, Honorable Barbara Cubin (chairman of the Subcommittee) presiding.

Mrs. CUBIN. The Subcommittee on Minerals and Energy will please come to order.

The first panel would please come forward.

In the interest of time, since we don't any more votes this afternoon, and I know members all have planes to catch and other places to be, I'm going to submit my opening statement for the record, and we'll just be in recess until the Ranking Member has an opportunity to give his opening statement. So, if you'll just bear with us, it'll just be a minute. Actually, why don't we go ahead and start, Congressman Jones, and then we'll come back to his opening statement so that we can get moving.

[The prepared statement of Mrs. Cubin follows:]

STATEMENT OF HON. BARBARA CUBIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

The Subcommittee meets today to review Outer Continental Shelf oil and gas development issues, primarily from the perspective of Members from coastal States and congressional districts. Such Members, be they Republicans or Democrats, represent constituents who are often very passionate in their views about offshore drilling near their State's coastline—and the passion is reflected in these Members' efforts as manifested in legislation to ban a range of activities by the Secretary of the Interior from pre-leasing studies, through the auctioning of OCS tracts, to in some instances a bar on approving drilling or development permits for already leased shelf areas.

On the other hand, occasionally Members support measures to provide incentives to companies to risk the huge sums of money necessary to explore for, drill and produce oil and gas from the OCS, such as the Deepwater Royalty Relief Act of 1995, which has been an unqualified success in stimulating bidding for central and western Gulf of Mexico tracts. For the five lease sales post-enactment of this relief, the Federal treasury has been enriched to the tune of $3.2 **billion** in high bids—not exactly chump change. And the leases that have been awarded will likely contain oil and gas fields upon which production royalties of far greater magnitude will be forthcoming as the thresholds in the deepwater relief Act are exceeded. And let me remind everyone, that a large portion of these receipts are dedicated to the Land & Water Conservation Fund, to which many Members look for funding of environmentally sensitive lands within their States.

The Members we are scheduled to hear from today are predominantly of the view to restrict OCS development, at least in certain geographic regions. Several of our witnesses have sponsored authorizing bills to do so which are referred to this Committee. The need to act upon these bills has largely been supplanted by moratoria in the annual appropriations bill for the Department of the Interior, via limitations of funds provisions—sometimes derisively called "riders" by those opposed to legis-

lating policy matters on spending bills—at least those policies which they don't support. But I've learned in my three and one-half years here that the OCS moratoria "riders" have a life of their own. Our colleague from Ohio, Mr. Regula valiantly tried to avoid these riders in the first bill he reported from his subcommittee, only to be amended in the full Appropriations Committee by an overwhelming margin. So much for not legislating in the context of a spending bill.

Two years ago when a similar hearing was held, the Minerals Management Service reported to us the OCS provides 15 percent of domestic oil production and 25 percent of natural gas output. Those fractions have now increased to 18 percent for oil and 27 percent for gas, no doubt because of burgeoning activity in the central and western Gulf of Mexico. Management of the nation's offshore oil and gas resources is governed by the Outer Continental Shelf Lands Act (OCSLA), which specifies the conditions under which the Secretary of the Interior grants rights to explore for, develop, and produce those resources.

The OCSLA requires the Secretary to prepare an oil and gas leasing program that indicates a 5-year schedule of lease sales determined to best meet domestic energy needs. Areas for which the 5-year plan does not recommend leasing activity are effectively under moratoria. And even for areas that are so recommended, the planned sales may be postponed, or diminished in area, such as has occurred with a Beaufort Sea sale scheduled for this August. Given the technical revision of the limitations of funds "riders" in the fiscal year 1998 Interior Appropriations Act from that of previous years, Congressional dictates and the Department's 5-year plan for 1997-2002 are now consistent with one another.

There should be little cause for alarm by Members concerned about near-term decisions by the Administration about where leasing may occur. There are concerns by some of us who believe an opportunity to increase revenues is being postponed by this plan, and the corresponding Congressional moratoria, but we are obviously of the minority view. A 1995 Clinton Administration analysis of the OCS estimated over four billion barrels of oil equivalent resources are subject to moratoria. Even using today's depressed price of $15 per barrel, *this means approximately $8.5 billion of potential Federal royalties are locked out of the Treasury.*

Given the passions of this debate, it seems unlikely that the entire OCS will ever be opened, nor is it likely that the very productive western and central regions in the Gulf of Mexico will be shut in, so the debate is really about the remainder. As we approach the end of the current plan in 2002 perhaps Congress and coastal States can engage in rational discourse about the next phase. Canadian development in the North Atlantic is coming on stream now. Perhaps some northeastern Members whose constituents will clearly benefit from trans-border deliveries of natural gas will become advocates of exploration in U.S. Atlantic waters when MMS proposes the 2003-2008 plan. Or perhaps not. I won't speculate as to the future of OCS development off the California coast—except to say that its likely to be a campaign issue for a long time to come.

STATEMENT OF HON. WALTER B. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. JONES. Thank you, Madam Chairman and Committee members. I'd like to thank you and the staff for scheduling this hearing on Outer Continental Shell Oil and Gas Leasing, and for allowing me to speak on behalf of H.R. 2615.

On a daily basis, coastal citizens are presented with the threat of drilling off their coast. And as one can imagine, these citizens tend to be strongly opposed to this environmental and economic threat to their way of life. These concerns have been prevalent in North Carolina since the early 1980's when leases were first purchased. Again, they are being vocalized today with the recent announcement of Chevron's intention to drill off the State's coast.

To ensure that our fragile coast is being properly protected, I, along with Senator Faircloth, introduced the Outer Banks Protection Act last year in hopes of providing an additional layer of protection. This legislation does not ban drilling—I'd like to repeat that—this legislation does not ban drilling. It simply prohibits the

Federal Government from issuing any permits relating to drilling without the consent of the State.

This legislation is important because it provides a layer of economic and environmental protection for our coast, while ensuring the rights of North Carolina. Quite frankly, drilling will have a detrimental effect on the booming tourism industry which is dependent on a healthy coast, clean water, and an abundant fishery.

Right or wrong, due to the perception that offshore drilling will contaminate the waters, it is widely believed that tourism will be directly affected. This effect would have a devastating effect on a large number of Eastern North Carolina families and businesses.

Tourism has become the shot in the economic arm for the area. The industry continues to grow by leaps and bounds. Last year in Dare county, tourists spent more than $400 million, making the county one of the largest tourism destinations in the State. Nearly 6 million people visit the Outer Banks annually and 52 percent of all jobs in Dare County are tourism related.

There is always an environmental threat with offshore drilling. However, I tend to believe there is a greater threat to drilling off the North Carolina coast due to the depth of the water and the unpredictable weather conditions. The drilling would occur more than 40 miles off the coast in approximately 2,600 feet of water with a steep drop-off just beyond. This area is known as "The Point" because it is where the Gulf Stream and the Labrador Current meets and collides, creating fierce currents and unpredictable conditions.

The Point is popular fishing ground due to the abundance of fish. The Point attracts more fish than any other location along the entire Atlantic Coast. Specifically, the area has become a breeding ground for a number of different species. To lose this environmentally valuable area would have a devastating effect on the entire Atlantic Coast fisheries that are already stressed. I think drilling in this location is an environmental gamble and should not be taken.

As a proponent of States' rights, I believe that it is essential that the State has the final say on whether drilling should occur. Currently, the State is allowed to voice its support or opposition on management plans. However, the Mineral Management Service makes the final decision on if a drilling permit is issued.

H.R. 2615 reverses this trend by granting the State this authority. I believe there is precedence for legislature of this nature. For example, the Coastal Zone Management Act and the Clean Water Act transfers Federal authority to individual States. To be exact, the Federal Government has transferred authority under the Clean Water Act to 38 States. Further, it seems reasonable that the State of North Carolina gain this authority since it has been held to a different level than other States for numerous years.

In 1989, President Bush placed a moratorium on new oil and gas development along the United States, excluding North Carolina, Florida, and Alaska. Clearly, North Carolina has been singled out by Federal regulations and energy companies. If an accident should occur, North Carolina would suffer the environmental and economic consequences—not the Federal Government. The bottom line is that drilling is the wrong industry for the Outer Banks of North Carolina.

Madam Chairman, thank you again for providing me this opportunity to speak on behalf of H.R. 2615. Also, I would like to thank the Subcommittee for allowing a very good friend of mine from North Carolina, Bill Holman, who is sitting to my left, who will be speaking today on behalf of Governor Jim Hunt, the Governor of North Carolina. Thank you.

[The prepared statement of Mr. Jones follows:]

STATEMENT OF HON. WALTER B. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Good afternoon, Madame Chairman. I would like to thank you and the Subcommittee staff for scheduling this hearing on outer continental shelf oil and gas leasing and for allowing me to speak on behalf of H.R. 2615.

On a daily basis, coastal citizens are presented with the threat of drilling off of their coast. And as one can imagine, these citizens tend to be strongly opposed to this environmental and economic threat to their way of life. These concerns have been prevalent in North Carolina since the early 1980's when leases were first purchased. Again, they are being vocalized today with the recent announcement of Chevron's intention to drill off the State's coast.

To ensure that our fragile coast is being properly protected, I along with Senator Faircloth introduced the Outer Banks Protection Act last year in hopes of providing an additional layer of protection. The legislation does not ban drilling—it simply prohibits the Federal Government from issuing any permits relating to drilling without the consent of the state.

This legislation is important because it provides a layer of economic and environmental protection for our coasts while ensuring the rights of North Carolina.

Quite frankly, drilling will have a detrimental effect on the booming tourism industry which is dependent on a healthy coast, clean water and an abundant fishery.

Right or wrong, due to the perception that offshore drilling will contaminate the waters, it is widely believed that tourism will be directly affected. This effect would have a devastating effect on a large number of Eastern North Carolina families and businesses.

Tourism has become the shot in the economic arm for the area. The industry continues to grow by leaps and bounds. Last year in Dare County, tourists spent more than $400 million, making the county one of the largest tourism destinations in the state. Nearly six million people visit the Outer Banks annually and 52 percent of all jobs in Dare County are tourism related.

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H.R. 2615 reverses this trend by granting the state this authority. I believe there is precedent for legislation of this nature. For example, the Coastal Zone Management Act and the Clean Water Act transfer Federal authority to individual states. To be exact, the Federal Government has transferred authority under the Clean Water Act to 38 states.

Further, it seems reasonable that the State of North Carolina gain this authority since it has been held to a different level than other states for numerous years. In 1989, President Bush placed a moratorium on new oil and gas development along the United States, excluding North Carolina, Florida and Alaska.

Clearly, North Carolina has been singled out by Federal regulations and energy companies. If an accident should occur, North Carolina would suffer the environmental and economic consequences—not the Federal Government.

The bottom line is that drilling is the wrong industry for the Outer Banks.

Madame Chairman, thank you again for providing me this opportunity to speak on behalf of H.R. 2615. Also, I would like to thank the Subcommittee for allowing Bill Hollman who is here today speaking on behalf of Governor Jim Hunt.

Mrs. CUBIN. Thank you, Mr. Jones. And now, I will recognize William Holman, the assistant secretary for environmental protection in North Carolina Department of Environment and Natural Resources.

STATEMENT OF WILLIAM HOLMAN, ASSISTANT SECRETARY FOR ENVIRONMENTAL PROTECTION, NORTH CAROLINA DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Mr. HOLMAN. Thank you, Madam Chairman, members of the Committee. I am Bill Holman. I'm assistant secretary for environmental protection at the North Carolina Department of Environment and Natural Resources. I'm pleased to be here today on behalf of Governor Hunt and the State of North Carolina.

I want to thank Congressman Jones for this opportunity to participate in your discussions, and to comment on Outer Continental Shelf issues.

I'm here today to deliver two basic messages: First, it is critically important that States like North Carolina have a strong and clearly defined role in the management and stewardship of our offshore resources. Second, it is essential and possible for energy and mineral resources of the Outer Continental Shelf to be managed in a coordinated and progressive manner that maximizes benefits to both our economies and our marine and coastal environment.

Mr. Jones asked the State to participate here today to convey our views on his legislation, the Outer Banks Protection Act, which require concurrence of the Governor of North Carolina as a condition for exploratory drilling off the Outer Banks of North Carolina. We greatly appreciate the recognition this bill embodies of the responsibility that States have for safeguarding the marine and coastal environment, and their coastal tourism economy. We are gratified by its title and its content, and we believe that bill makes a very strong statement that the Governor has a central role when making decisions that affect our citizens on the Outer Banks.

As members of the Subcommittee know, the current process for State review of offshore energy exploration proposals is based on the States' coastal protection planning responsibilities provided under the Coastal Zone Management Act. Through a consistency review and determination by the State, the exploration plans are examined by the State for consistency with our approval coastal management plan. If the State finds the plan inconsistent, no permit can be issued unless the Secretary of Commerce overrides the State's determination that the project is inconsistent.

We appreciate Mr. Jones' concern that this may not provide a sufficiently strong voice for States in reviewing drilling proposals. We—that is North Carolina—are currently awaiting detailed proposals regarding proposed exploratory drilling on the Outer Continental Shelf off the Outer Banks, in an area known as The Point, that Mr. Jones talked about.

The Committee may be aware that The Point off Cape Hatteras is also under consideration for designation as a "Habitat Area of Particular Concern" under the Essential Fish Habitat provisions of the Magnuson-Stevens Fisheries Management Act that Congress enacted last session. This area has become recognized, as Mr. Jones said, a unique mixing zone. Larvae of some 300 fish species that are native to coastal waters, the Labrador Current and the Gulf Stream are found at The Point, all in one place.

I'm told that this concentration of fish species is far higher than might be found in typical OCS areas, and it reinforces the importance of assuring both economic and environmental values are fully evaluated in assessing any drilling proposal. This is new information that we believe must be considered by both the State and the Nation in making appropriate decisions on whether and how to proceed in the pursuit of energy resources of the coast of North Carolina. Though we view it as the part of duty and responsibility of the State to assure that if any such drilling is to occur, that it be done in a manner that is sensitive to and protective of this unique marine environment, and our coast. We do not have firm word from the Minerals Management Service that they will in fact grant us consistent review that we strongly feel is our right.

The reason for this is in 1982, when much less was know about the environmental characteristics and significance of The Point, the State made a determination that a previous different exploration proposal was consistent with our coastal management plan. That exploration proposal was never carried out. Unless the Minerals Management Service finds that the potential environmental impact of the new exploration plan is significantly greater than the prior proposal, and that new permits are required, then under the Minerals Management Services rules the State will not be granted a new consistency review.

The legislation proposed by Mr. Jones assures that the State have a voice in a project proposal that is 16 years old, in the context of substantial new information about use of resources in the area.

The State is working cooperatively with the Minerals Management Service, and I want to say to them here today that we appreciate the collegial approach that they have taken. However, we do feel a firm commitment is needed to the concept of strong State role in this decision process. We see Mr. Jones' bill as a constructive part of this ongoing dialogue.

Let me conclude for the record by stating that the State of North Carolina has in no way reached any predetermined decision on proposed exploratory well off the Outer Banks. We are eager to have as much information as possible to reach a conclusion that will reflect and balance the many issues that are presented by the preliminary proposal we have seen in regard to such drilling. We need a full proposal. We need as much information as can be gained on the particulars of the plan, and the emerging importance of The Point as fisheries habitat. We need to carefully and vigilantly assess potential impacts on our famous Outer Banks and our coastal communities. We also need a continued recognition and commitment of the role of the State in this decision process.

We thank you for the opportunity to speak today, and will be happy to answer any questions.

[The prepared statement of Mr. Holman may be found at end of hearing.]

Mrs. CUBIN. Thank you for your testimony, Mr. Holman, and excuse my whispering up here. We have members that are trying to catch planes and we're trying to accommodate them.

I would like to compliment you, Mr. Jones, on your legislation upholding States' rights. I have never seen a law at the Federal level that I didn't think a better decision, or as good a decision, could have been made at the State level. So, thank you very much for that.

Now, I will recognize—you're dismissed. You can go and grab the plane if you want to.

[Laugher.]

I don't have any questions. Are there any questions from the panel?

Mr. ROMERO-BARCELÓ. No questions.

Mrs. CUBIN. And now I'll recognize the Ranking Member for his opening statement.

Mr. ROMERO-BARCELÓ. Chair, in the interest of time—I know that Senator Boxer and several other Members of Congress are there to testify—I'll submit my statement for the record. Obviously, most of the people who are here today to testify are going to be backing the extension of the moratorium. I don't see how I would go any other way than with the desires of the elected members of those States.

Mrs. CUBIN. OK, the next panel that I'll call—what the Ranking Member and I have decided to do is to call the members in the order in which they arrived. So, the next panel I'm going to call for will be Duke Cunningham, Ralph Regula, Senator Boxer and Mrs. Capps. Congressman Regula, would you like to start?

STATEMENT OF HON. RALPH REGULA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. REGULA. Thank you, Madam Chairman. I ask unanimous consent that I may submit my full statement for the record.

Mrs. CUBIN. Without objection.

Mr. REGULA. I will summarize. There is not much doubt as to where I stand on this issue. I oppose any permanent moratorium. I have included a moratorium in our Interior appropriations bill each year, and I think this is the appropriate way to do it. But to make it permanent is taking away a right that exists for the people of these United States.

We have heard about States' rights, and States' rights extend three miles offshore, but beyond that the 260 million Americans own the right to the minerals. They also own the rights to the minerals on the Federal lands.

If you follow the logic of today's testimony to the conclusion, we would not drill on any Federal property, which is 30 percent of the United States.

Today we drill on the timberlands and on the BLM lands, and I'm sure that there are people who would prefer we not do so. But these are Federal lands in Federal ownership, and I think the peo-

ple have a right to their resources. We give the States a portion of the revenues. There's a great resource out there with new exploration and drilling techniques. It doesn't really become offensive. I know a lot of the opposition is "viewscape": people don't want to see a drilling rig in the sunset. But it's been demonstrated clearly that there's very little risk from spills and many more risks from tankers than from drilling platforms.

We're spending $200 million a year in the Interior Appropriations bill to maintain the SPR, which is a strategic petroleum reserve to give us security in case we are cutoff from petroleum in the middle east, because over 50 percent of our petroleum resources are imported. To suddenly take a huge portion of our domestic production off the table as we would propose in a permanent moratorium makes no sense at all in terms of our national security. We use these Federal lands all over the United States for many different purposes to serve the public. For all of those reasons, I think the policy matter of making moratoria permanent would be a great mistake.

Certainly, a moratorium is appropriate at this time, and we plan to continue the moratorium in our bill again this year. The world conditions are fragile, and things could change overnight as far as access to mineral assets to petroleum. To make it a permanent moratorium, to me, doesn't make any sense in today's world.

Madame Chairman, I thank you for giving me an opportunity to be heard. I thank the other members of the panel for the courtesy.

[The prepared statement of Mr. Regula follows:]

STATEMENT OF HON. RALPH REGULA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Madam Chairman and distinguished members of the Subcommittee, I appreciate the opportunity to express my strong opposition to legislative initiatives that constrain the development of our nation's energy resources. Restricting the exploration and production of oil and natural gas on the Outer Continental Shelf (OCS) takes our country in the wrong direction because it artificially and unnecessarily denies the American people access to an essential natural resource.

Since the early 1980's, Congress has used the appropriations process to impose moratoria on leasing offshore. This policy has restricted the oil and gas industry's access to over 600 million acres. These appropriations moratoria have impacted almost all of the best prospects for major new offshore discoveries outside the central and western Gulf of Mexico. Congressional moratoria and other deferrals have placed one third of the OCS's oil reserves, and 20 percent of its natural gas reserves, off limits to exploration and development.

In 1990, President Bush issued an executive order canceling all scheduled lease sales off California, southern Florida, portions of the North Atlantic, areas off Washington and Oregon, and withdrew those areas from leasing until after 2000.

Now, Madam Chairman, some of my colleagues in Congress advocate permanent bans on oil and gas drilling in vast areas of the OCS. That would have two adverse impacts. First, it would restrict future opportunities for increased Federal revenues. And second, it would put our nation's energy security at risk.

When government lands are leased for oil and gas development, they first produce bonus bids and rents on the lease until drilling occurs. If the drilling is successful, a stream of oil and gas means a stream of revenue to the Federal Government and to participating state governments. Permanent moratoria would further restrict the amount of revenue that can be generated.

The OCS Is A National Resource

The OCS is a rich resource. The U.S. Department of the Interior (DOI) reports that the OCS holds oil reserves of 14.4 billion barrels and natural gas reserves of 72.5 trillion cubic feet. Moratoria on the appropriations bills year after year, however, have prevented the oil and gas industry from developing a significant portion of these resources. We will not know their ultimate value until the OCS is fully ex-

plored. However, in 1995, the Department of the Interior estimated that 26 billion barrels of oil equivalent (oil and gas) are under moratoria.

As a vital national resource, the oil and natural gas beneath the Federal OCS are there for the benefit of all Americans—and development of these resources is needed as demand for both fuels increases. The U.S. Department of Energy's Energy Information Administration (EIA) expects the demand for oil in the United States in the year 2015 to be 4 million barrels a day higher than in 1995, when consumption was 18 million barrels per day. The Gas Research Institute has predicted a market of 30.9 trillion cubic feet for gas in 2015, compared to a demand of 22.2 trillion cubic feet in 1996. Mr. Chairman, bans on offshore production would adversely affect our ability to meet the nation's growing need for the new sources of oil and natural gas.

Federal Revenue

The OCS moratoria prevent new revenue from coming into the Treasury at the very moment the U.S. has ended decades of damaging annual budget deficits. Cutting off future OCS production would diminish the revenue stream and make balancing the budget more difficult as existing production declines without replacement.

Consider what the revenue from offshore operations has already produced. Since the Federal offshore leasing program began, offshore oil and gas activities have generated over $120 billion in Federal Government revenues. This total includes over $18 billion for the Land and Water Conservation Fund, over $2.5 billion for the National Historic Preservation Fund and over $2.5 billion to the coastal states. In 1997 alone, participating states received over $116 million. Bans on OCS exploration and production preclude opportunities for new revenue, and the opportunity to help keep the budget balanced in the 21st century.

Other revenue that accrues to the Federal Government from offshore operations is that collected in payroll, Social Security and Medicare taxes from those employed in the industry, and those who supply them with goods and services. Yet over the past several years, employment in the domestic offshore industry has declined. Moreover, just 10 years ago, 70 percent of the capital spent on exploration and production was invested here at home. Today, a growing percentage is being invested abroad. Other countries are, understandably, taking advantage of our shortsightedness. Earlier this month, officials from Brazil, Great Britain and Nova Scotia came to the Houston Offshore Technology Conference to invite offshore operators to explore for oil and gas in their waters.

Madam Chairman, the bans deny American workers and American companies in virtually every state an essential opportunity for better jobs and for economic growth here at home. Creating jobs offshore creates jobs onshore. The OCS Policy Committee, part of the OCS Advisory Board established by the Department of the Interior to advise the secretary, established that in addition to the jobs created offshore, "OCS activities indirectly provide about 2.5 jobs for every person directly employed by industry." Whether it is fabricating steel in Ohio, or making computer chips in California, almost every state in the Union benefits because the offshore industry buys from them.

Despite the fact that a significant portion of exploration and production investment had been driven overseas, a 1996 study by the American Petroleum Institute found that companies involved in exploration and production of oil and gas in the Gulf of Mexico spent almost $6 billion with 6,600 vendors in the 49 states. While much of that $6 billion was spent in states adjacent to the Gulf, tens of millions of dollars, and sometimes hundreds of millions, were spent with vendors in New York, Pennsylvania, Illinois, Florida, and North Carolina. In Ohio, vendors invoiced over $16 million in offshore business. In New Jersey, vendors invoiced almost $7 million in offshore business. And in California, vendors received over $80.7 million from Gulf activities alone in 1996. It is ironic that many in California's congressional delegation are among the most zealous advocates of ban on oil and gas operations on the OCS, and some have sponsored bills that would even close down existing production, despite the business offshore activities in the Gulf have brought to the state.

I have attached a table to my testimony that identifies that 10 states whose companies have the largest sales to the offshore industry. But let me emphasize that vendors and their employees in the 49 states benefit from this business. These vendors add value at every stage of the process. Their employees earn wages and benefits from their families, and they all pay taxes. In sum, offshore drilling produces jobs, paychecks and benefits for American families from the Gulf of Mexico to the Pacific Ocean. Even though American-based oil explorers employ U.S. workers abroad, our economy does not benefit nearly as much as when drilling and production occur here.

Protecting the Environment

Oil and gas provide about two-thirds of the energy consumed in the United States. Producing the energy requires a careful balancing of economic benefits and environmental safeguards. Exploration and production activities offshore are managed so as to protect the marine and coastal environment and to protect communities onshore. Federal OCS oil and gas operations are among the most tightly regulated economic activity in the world. And the offshore industry has made meeting those stringent environmental standards part of its daily business plan.

Existing Federal statutes and regulations that govern the industry offshore are numerous, complex, comprehensive and successful in producing domestic energy while protecting the environment. The laws that affect offshore operations include the Outer Continental Shelf Lands Act, the National Environmental Policy Act, the Clean Water Act, the Clean Air Act, the Oil Pollution Act, the National Marine Sanctuaries Act, the Marine Mammal Protection Act, the Coastal Zone Management Act and the Resource Conservation and Recovery Act.

The oil and gas industry offshore has a strong and vigorous record of protecting the quality of our waters and safeguarding marine life. Offshore drillers are required to obtain 17 major permits and follow 90 sets of Federal regulations. The results of those regulations, which have been gathered by the Department of the Interior's Minerals Management Service, speak for themselves: Offshore drilling and production, and the pipelines that carry those resources ashore, have been shown to be environmentally sound operations. Since 1975, when current Federal offshore safety regulations went into effect, the industry has had a environmental record that is 99.999 percent safe. Only an infinitesimal amount of oil produced offshore—less than one-thousandth of a percent—has been spilled. Even during Hurricane Andrew in 1992, the offshore industry's safety devices worked, shutting down production. Major spills were avoided, contrary to predictions of catastrophic spills from Gulf hurricanes.

In addition to all the laws and all the rules and regulations, the exploration and production of oil and gas is a high tech industry that uses the latest advances to protect the environment. Horizontal drilling, for example, today allows for many more wells to be drilled from a single offshore platform. As new exploration and production techniques have further reduced adverse impacts on plant and animal life, production platforms serve as artificial reefs that attract marine life for spawning, feeding, and shelter.

Bans on the OCS would not significantly improve the environment. Oil and gas operations are subject to the highest standards of environmental regulation, and represent successful and compatible multiple uses of this nation's resources. These operations actually enhance the environment by increasing the desirable habitat for marine species.

Energy Security

Restricting oil and gas exploration and production in the United States had jeopardized our energy security and increased our energy dependence on foreign sources. Over half the petroleum products consumed in the United States today come from abroad. Continued restrictions on OCS operations would mean that we would increase our dependence on those suppliers, giving them added powers and added incentives to interrupt our supplies and affect prices.

Moreover, making our country more vulnerable to foreign suppliers could complicate our foreign policy since policy makers would then have to consider the effects a decision would have on our future supply from the foreign power in question. In addition, foreign supplies add to our defense burdens. Every barrel of crude oil produced here at home is one less barrel that has to be imported in exchange for U.S. dollars that flow out of the country.

Conclusion

Madam Chairman, permanently preventing oil and gas leasing in the OCS will not significantly improve the environment, but will restrict government revenues while destroying jobs, and will endanger our energy security while denying the American people the use of a public resource. We need more offshore development, not more restrictions.

Attachment

Table 1: Top 10 States by Sales

State	Dollars	Percent of Total
Texas	3,312,819,713	57.11
Louisiana	1,494,158,086	25.76
New York	228,516,493	4.03
Oklahoma	167,556,433	2.95
Pennsylvania	114,850,600	2.02
Alabama	104,590,730	1.84
California	80,708,713	1.42
New Mexico	61,105,028	1.05
Illinois	50,066,749	0.88
Mississippi	33,444,627	0.59
Total	5,647,817,189	97.36

Source: American Petroleum Institute, 1996

Mrs. CUBIN. Thank you, Mr. Regula, and thank you for your work on the Interior appropriations bill.

Mr. MILLER. Could you stay and answer a few dozen questions. No, no——

[Laughter.]

Mr. REGULA. George, you want that project funded?

[Laugher.]

Mrs. CUBIN. I want George's project funded.

Mr. MILLER. I thought we could negotiate that plane flight.

[Laughter.]

Mr. REGULA. Off the record, use land and water conservation money produced from offshore drilling.

[Laughter.]

Mrs. CUBIN. Mr. Regula, Mr. Regula——

Mr. MILLER. You'd spend it all; we'd get you more.

[Laughter.]

Mrs. CUBIN. I think you should fund George's project to whatever it was, because, as I recall, at the hearing he came right in and said he thought you should fund mine.

[Laughter.]

Mr. REGULA. OK.

STATEMENT OF HON. RANDY "DUKE" CUNNINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CUNNINGHAM. Before I speak, I'm going to let him leave.

Mrs. CUBIN. Pardon me?

Mr. CUNNINGHAM. Before I speak, I'm going to let him leave on that case.

[Laughter.]

Chairwoman Cubin, and members of the Committee, thank you for holding this hearing. I rise in strong support of the moratorium on oil and gas development of the OCS. I believe—my own personal opinion, and I think many agree—that these kinds of decisions should be based first on good science; second on peer review; and then the constituents of the State on how they feel about the issue.

My friend just testified that there's a 3-mile limit, but if oil spills inside that 3-mile limit and damages—even if it's beyond there and it damages the environment—then I think we have a responsibility, even though it's on Federal land, inside that to protect our environment.

Californians have made themselves very clear. And as we look at good science, the National Academy of Sciences study shows that there would be detrimental damage to the environment and to the seabed, if we drill on the OCS.

The dumping of oil muds—I'm a diver, a scuba diver, and harvest abalone right off the coast of California. I've been up to Long Beach and I've seen the oil that's on the beaches up there; and I live right on the beach, and I sure don't want to see that in our community, or the wildlife that I harvest abalone and spearfish to be damaged as well.

Every year I've offered H.R. 133, which focuses on the entire State of California. It prohibits the sale of new offshore oil leases in southern California and central California and northern Califor-

nia through 2007, or until they could prove that the problems of the 1989 National Academy of Science study were addressed and resolved. My legislation would ensure that no drilling or exploration along the coast until the most knowledgeable scientist peer review, and a vote of the constituents.

I'd like to submit the rest of this for the record, but I rise in strong support of the moratorium. In many cases, I don't go along with extreme environmentalists agenda, but in this case, there's good science on it; there's peer review; and the constituents of California, I believe and support this legislation.

[The prepared statement of Mr. Cunningham follows:]

STATEMENT OF HON. RANDY "DUKE" CUNNINGHAM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Chairwoman Cubin, members of the Committee, thank you for holding this hearing. I rise today to speak in support of the moratorium on oil and gas development on the Outer Continental Shelf (OCS). This moratorium is vital to the environment of our coastal communities, and I believe Congress has a responsibility to ensure that it is maintained.

The people of California have made it clear that they favor this moratorium. In fact, the State of California has enacted a permanent ban on all new offshore oil development in the State's coastal waters. The environmental sensitivities along the California coastline make the region an inappropriate place to drill for oil using current technology.

Academy Study

A 1989 National Academy of Sciences (NAS) study confirmed that new exploration and drilling on existing leases and on undeveloped leases in the same area would be detrimental to the environment. In addition, offshore drilling can impact other parts of our communities. The visual impact of offshore platforms is a continuing concern among my coastal communities, especially those with a strong tourism economy.

The dumping of drilling muds and cuttings could affect our recreational fishing industries and impact our marine mammal populations. Oil spills would threaten our beaches.

All these impacts remain unresolved using current drilling technology. While I recognize that technological advances may alleviate some or all these concerns, at this time I believe that we must continue the current moratorium on offshore oil drilling and exploration.

Legislation

For that reason, I have for the past three Congresses introduced legislation to address the offshore oil drilling issue for California. My bill, H.R. 133, focuses on the entire state of California. It would prohibit the sale of new offshore leases in Southern California, Central California, and the Northern California planning areas through the year 2007. New exploration and drilling on existing active leases and on undeveloped leases in the same areas would be prohibited until the environmental concerns raised by the 1989 NAS study are addressed, resolved and approved by an independent peer review.

My legislation will ensure that there is no drilling or exploration along the California coast unless the most knowledgeable scientists inform us that it is absolutely safe to do so.

H.R. 133 is currently pending before this Committee with eight bipartisan cosponsors. My legislation is supported by the Board of Supervisors for San Diego County and the City of San Diego. I have attached San Diego County's resolution supporting the moratorium.

Passage of this legislation would be a vast improvement over the current annual process of enacting a moratorium as part of the Interior Appropriations legislation. A more permanent ban would provide our coastal communities more stability in managing their ocean resources.

Closing

I believe Congress must operate in accordance with California's interests and respect the opinions of the people of California. I encourage this Subcommittee to

maintain the current moratoria on offshore oil drilling, protect our beaches, and preserve our quality of life. Thank you.

LETTER TO MR. CUNNINGHAM

The Honorable RANDY CUNNINGHAM,
U.S. House of Representatives,
2238 Rayburn House Office Building,
Washington, DC

Dear Duke:

Thank you for sponsoring H.R. 133 to enact a temporary moratorium on leasing, exploration, and development on the Outer Continental Shelf (OCS) land off the coast of California. I am writing to reiterate the County's support for your bill as expressed in my February 1997 letter to you. Your legislation would protect San Diego County and other coastal counties from potentially significant environmental hazards and serious risks to the public's health and safety related to the OCS activities mentioned above. Because five tracts off the San Diego coastline could become eligible for drilling within the next three to five years, County officials and the San Diego community are concerned that such activity may result in air quality degradation, potential oil spills, the presence of oil industry traffic, and support facilities along San Diego's scenic coastline. All of these would threaten public health and adversely impact our local economy.

Please ask your colleagues on the committee to expedite action on H.R. 133 as soon as possible to protect San Diego and other coastal counties from potential significant environmental hazards, public health impacts, and economic risks associated with on leasing, exploration, and development on the Outer Continental Shelf (OCS).

Sincerely yours,

ROGER F. HONBERGER,
Washington Representative

Mrs. CUBIN. Thank you, Congressman.

Senator Boxer.

STATEMENT OF HON. BARBARA BOXER, A UNITED STATES SENATOR FROM THE STATE OF CALIFORNIA

Senator BOXER. Thank you very much, Madam Chair——

Mrs. CUBIN. And welcome to our humble abode.

Senator BOXER. Thank you. Well, you need to know that I've served in this very room on the then Merchant Marine and Fisheries Committee when I got to the Congress in 1983. And at that time, I teamed up with my friend George Miller who, when I walked in the door, said, "Hurray, reinforcements in trying to ban offshore oil drilling in new areas off the California coast." We already have a large number of rigs off that coast, as Congresswoman Capps could tell you. So, I'm back here and it's very nostalgic, but it's also frustrating in another way that we haven't really resolved this issue because we lean on these yearly moratoria.

I would like to just say to you that I'm glad you've given me this opportunity to testify today because I've introduced legislation, along with Congresswoman Capps and Congressman Miller, which essentially says this: When a State establishes a drilling moratorium on part or all of its coastal water, that protection should be extended to adjacent Federal waters. Then it goes to your comment, Madam Chair, that you made before in which you praised the fact that we would in fact defer to a State. I think when State does take a strong stand on the environment, such as our State has on State waters, that we ought to follow suit, because Congressman Cunningham is exactly right; the first three miles are fine, but if you're drilling five miles off there's not going to be any boundary

between that demarcation and the State waters. You're going to foul State waters; you're going to go against the moratorium. I think because Congressman Regula reminded me, when I walked in, how many years we've been battling each on this, I wanted to respond to some of his points.

Tourism is one of the biggest industries in my home State, and I'm sure many of you visited our State, and we pride ourselves on that tourist industry. The beauty of our coastline is of enormous importance, and is a huge draw to the tourist, not only from this country but from all over the world. So if you compare the economics of moving forward with offshore oil—additional offshore oil drilling—versus the possibility of destroying this incredible ocean resources, the ocean resource comes out way on top. And the people have put a value on this that can't even be counted, and I think that needs to be taken into account.

I would like to make a couple of other quick comments, and then I'll close.

President Bush issued a statement directing his Secretary of Interior to cancel several existing leases and withhold any further leasing in California waters for 10 years; and that was shortly before he left the White House. So I think this is a real bipartisan issue. I think we have colleagues on both sides of the aisle that understand (a) the aesthetic value of this, (b) the real economic value of this and the importance of moving forward.

Now, clearly, the strongest protection would be a permanent sanctuary off the coast. And someday, I hope I live long enough to see that we do that, because a value is a value and feel sure of this value. And we should make certain that our children and grandchildren can enjoy it as much as we have.

I will close in telling you this: The oil companies—the oil companies hold out the whole fact that there could be so much more revenue coming into the Federal Government as a result of drilling. While as you'll hear from a many of us in another debate, they're not even paying us the royalties they owe us. We are in court this very day essentially fighting to get more than $200 billion—$200 million in payment; $200 million. And a lot of that money goes straight into the classrooms. In our State of California that's where these royalties go.

So it seems to me we ought to take a deep breath; we ought to look at the fact that they owe us all this money; we ought to look at what Congress did in the dead of night in stopping the Department of Interior from coming up with a fair rule to go after these royalties; and not even considering opening up this coastline—or I should say these magnificent coastlines.

I wanted to point out to you that just in the one day I've introduced my bill, we already have on the Senate side, Senators Murray, Lautenberg, Graham of Florida, Robb, and Sarbanes on as cosponsors in the Senate. That's pretty good without even a "dear colleague" letter going out. So I think there's a lot of support for this.

I want to again thank Congressman Miller for his years and years of leadership. I want to thank Congresswoman Capps for being our reinforcement. And I want to thank you, Madam Chair, for giving me this opportunity.

[The prepared statement of Senator Boxer follows:]

STATEMENT OF HON. BARBARA BOXER, A SENATOR IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, I want to thank you for this opportunity to discuss an issue which is so important to all of us here today—preservation of our ocean resources.

After many years of hard work to prevent further oil drilling in the Outer Continental Shelf (OCS), I am very pleased to see the broad bi-partisan support that now exists for this issue. I began fighting for ocean protection on the Marin County Board of Supervisors, continued during my 10 years in the House of Representative, and as a United States Senator representing California.

Today, I am introducing the Coastal States Protection Act—legislation which I also introduced in the 104th Congress. This Act will provide necessary protection for the nation's Outer Continental Shelf (OCS) from the adverse effects of offshore oil and gas development by making management of the Federal OCS consistent with state-mandated protection of state waters. I am pleased that Representatives Capps and Miller are introducing the House version of this legislation.

Simply put, our bill says that when a state establishes a drilling moratorium on part or all of its coastal water, that protection would be extended to adjacent Federal waters.

It does a state little good to protect its own waters which extend three miles from the coast only to have drilling from four miles to 200 miles in Federal waters jeopardizing the entire state's coastline—including the state's protected waters.

An oil spill in Federal waters will rapidly foul state beaches, contaminate the nutrient rich ocean floor upon which local fisheries depend, and endanger habitat on state tidelands.

My legislation simply directs the Secretary of Interior to cease leasing activities in Federal waters where the state has declared a moratorium on such activities thus coordinating Federal protection with state protection.

The bill has a very fundamental philosophy—DO NO HARM to the magnificent coastlines of America and respect state and local laws.

But I am pleased to be here today not only to discuss my legislation, but to also express my strong support for the current protection of our precious marine resources.

The major portions of fragile California coastline is currently protected from the dangers of oil and gas drilling in offshore waters by several provisions of law. The State has a permanent moratorium on oil and gas leasing, which covers state waters up to 3 miles out. U.S. waters, up to 200 miles out, have been protected by a succession of one-year leasing and drilling moratoria enacted by Congress each year since 1982.

In addition, in 1990, President George Bush issued a statement directing his Secretary of the Interior to cancel several existing leases and withhold any further leases in California waters for 10 years. With this directive, President Bush showed his commitment to prohibiting offshore drilling in areas where environmental risks outweigh the potential energy benefits to the Nation.

The strongest protection would be a permanent ban on further offshore oil and gas leases in California waters, and I have asked the President to consider this.

California, and the rest of the nation, need a clear statement of coastal policy to provide industries, small businesses, homeowners and fishermen more certainty than can be provided by yearly moratoria. Annual battles over the moratoria make long-range business planning difficult, divert resources and attention from the real need for national energy security planning, and send confusing signals to both industry and those concerned about the impacts of offshore development.

I understand that some feel that we are losing revenue because of these moratoria. I have two thing to say about that. First, the public strongly supports the moratorium. And second, if the oil companies paid the royalties that they currently owe the Federal Government we could make up for the so-called "lost revenue" caused by the moratorium. Oil companies currently owe the Federal Government millions upon millions of dollars. It does not make sense to give oil companies access to more Federal oil when they are already cheating the American taxpayer out of millions of dollars.

As we celebrate the United Nations Year of the Ocean, we have a prime opportunity to strengthen our commitment to environmental protection by giving Americans a long lasting legacy of coastal protection.

We must recognize that the resources of the lands offshore California, and the rest of the country, are priceless. We must recognize that renewable uses of the ocean and OCS lands are irreplaceable elements of a healthy, growing economy. These moratoria recognize that the real costs of offshore fossil fuel development far outweigh any benefits that might accrue from those activities.

Mrs. CUBIN. Thank you very much for being here with us, and thank you for your comments.

Congresswoman Capps, welcome. This is the first time you've been here and we're glad to have you.

STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. CAPPS. Thank you very much for the welcome, Madam Chairwoman, and members of this Subcommittee. Thank you for holding this important hearing today. I appreciate the opportunity to testify on an issue of such importance to the residents of my district, and the State that I live in. I have written testimony that I have submitted for the record, and I would like to briefly summarize that for this Subcommittee today.

As you know, today with my colleagues from California, Mr. Miller, Mr. Farr, and Mrs. Harmon, I am introducing the House version of Senator Boxer's Coastal States Protection Act. This Act will place a Federal moratorium on new offshore oil and gas development where there is an existing State moratorium in place. I want to commend Senator Boxer for her unflagging leadership on this issue for so many years. That is so important for all Californians.

For me, this is an issue about local control. California residents have decided that they do not want new oil and gas development off of our beautiful coastline. We already have a State moratorium signed into law in 1994 by Governor Wilson, the California Coastal Sanctuary Act. I have oil drilling off the Coast of Santa Barbara, and this community does not want any new development.

In San Luis Obispo County, there is no offshore oil drilling, and residents want to keep it that way. You know oil doesn't know boundaries, and the Federal law would put into place in a permanent way what the State has already decided. These positions are supported by environmental organizations, the county board of supervisors, and the Chamber of Commerce in both counties that I represent.

California has a broad and varied economy. The tourism and recreation industry annually contribute more than $27 billion to the State's economy. And the California coastline is, as Sen. Boxer mentioned, a very big reason for this.

We are also home to two of our Nation's national marine sanctuaries, one of them being the Channel Islands National Marine Sanctuary. This is in my district.

Is it worth risking all of this for new offshore oil development? Obviously, the people of California do not think so. Very recently, San Luis Obispo County and Santa Barbara County, the Mineral Management Service conducted a study. The findings of this study were reported and hearings were held in San Luis Obispo and Santa Barbara counties. Overwhelmingly, the residents came out very strongly opposed to offshore oil drilling.

Just by coincidence in the audience today is a resident of my district, Bob Sollen. He has written a book entitled, An Ocean of Oil: A Century of Political Struggle Over Petroleum Off the California Coast. I'm pleased that he could be here to hear this testimony with his wife Toni.

The protection of the environment is critical for California's economy and the quality of life we all enjoy. I hope that this Subcommittee can help us do that and support this very important legislation. Thank you very much for your time.

[The prepared statement of Ms. Capps follows:]

STATEMENT OF HON. LOIS CAPPS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

I want to thank the Chairwoman for holding this hearing on the development of oil and gas leases in the Outer Continental Shelf (OCS). I appreciate the opportunity to testify on an issue of such importance to the residents of my district, the state, and the nation.

I am pleased to announce that today, with my colleagues from California, Mr. Miller and Mr. Farr, I will be introducing legislation to protect America's precious coastline. Our bill, the Coastal States Protection Act, amends the Outer Continental Shelf Lands Act to direct the Secretary of the Interior to cease mineral leasing activity of the OCS that is adjacent to a coastal state that has a moratorium on mineral exploration, development, or production in adjacent State waters.

The State of California leads the nation in coastal protection. We have in place a permanent moratorium on offshore oil and gas leasing, which covers state waters up to three miles out. However, at the Federal level, the coast has no permanent protection. Rather, we rely on successive yearly moratoriums. My legislation would make that protection permanent.

Santa Barbara residents know too well the harmful effects of offshore oil. The City holds the unfortunate distinction of being the home of one of the worst oil spills in our nation's history, the 1969 oil well blowout in the Santa Barbara Channel. This event is often cited as the catalyst for the modern environmental movement. San Luis Obispo County residents also know the risks of offshore oil and have consistently opposed any efforts to open the coastline to development. This view is shared by the entire community, including environmental groups, the Chamber of Commerce, and the Board of Supervisors.

One of my constituents, Robert Sollen, who has devoted his life toward protecting the coastline in Santa Barbara, recently gave me a copy of his book, An *Ocean of Oil.* This book depicts the continuous struggle over petroleum policy off the California Coast. Individuals like Mr. Sollen represent the strong voice of Central Coast residents who do not want to risk the protection of California's majestic coastline with further offshore oil development.

California's coastline is a priceless treasure, enjoyed not only by our residents, but by tourists from around the world. Our economy depends on protecting this spectacular coastline because multimillion dollar industries such as recreation, fishing and tourism rely on this vital protection.

The California coastline is home to a rich ocean species habitat, a migration route of the endangered Blue Whale. It is also home to two of our National Marine Sanctuaries, including the Channel Islands National Marine Sanctuary, which is in my district.

I thank the Committee for working on such a critically important issue. I hope that you will soon conduct a hearing on this bill and that Congress will move quickly to enact a Federal moratorium on oil leases into law.

Mrs. CUBIN. Thank you for your testimony.

Mr. MILLER. Madam Chairman, might I ask permission to insert my record into the statement at this time?

Mrs. CUBIN. Your record into the statement would be great. Without objection.

[Laughter.]

Picky, picky.

Mr. SCARBOROUGH. She's tough, George. I hope she'll be nicer to me.

George, I've always been with you brother. Royalty relief, whatever, you name. Don't act shocked. You have a short memory. Don't remember royalty relief last year?

Senator BOXER. The house has really changed since I left.

[Laughter.]

Mr. SCARBOROUGH. George and I are good buds.

Mrs. CUBIN. Will you get with it?

[Laughter.]

Mr. SCARBOROUGH. I'm waiting—Madam Chairwoman, George has taken over your Committee.

Mrs. CUBIN. Well, he's use to that.

[The prepared statement of Mr. Miller follows:]

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Today, I join Senator Barbara Boxer and Representative Lois Capps as a sponsor of their legislation to extend the moratoria on oil and gas leasing in the Outer Continental Shelf off the coast of California. These moratoria have been in place since 1982 and should be made permanent. I congratulate Senator Boxer and Representative Capps for taking the lead in this important effort to safeguard California's coast.

According to the Chair's letters of invitation to the Administration, the purpose of this hearing is to review existing moratoria and to investigate the revenue impacts of unrealized income to the Federal Treasury resulting from these actions.

There is a wealth of information being disseminated to suggest that the areas barred from leasing under the moratoria cost the government significant amounts of money in lost royalties and other revenues. But, before this Subcommittee moves forward with any proposal to open the California coast to oil development, consider two facts.

One, the overwhelming majority of citizens that would be directly affected by oil and gas development in these areas oppose such development.

Two, it makes no sense to consider opening up new areas for oil and gas leasing—let alone open the California coast—when we have massive amounts of evidence that the oil industry is cheating the American people out of hundreds of millions of dollars on existing leases.

It is to this second point that I will address my comments today.

Last week Senator Boxer and I introduced legislation to repeal an eleventh-hour rider attached to the Emergency Supplemental Appropriations bill. This rider was an effort to further shield the oil industry from fair market value assessments of the oil and gas extracted from public lands. It was not passed by this Committee, which has jurisdiction. In fact, it was never considered by the House. It was sneaked into an emergency spending bill at the last moment, and that action has rightly been condemned by newspapers and media across this country.

The provision stops the Interior Department from implementing plans developed over the past 2½ years to assess crude oil at fair market value rather than the undervalued assessment the industry has imposed on itself for years. The Department estimates that the rule would have increased revenues by $66 million a year. Our bill, H.R. 3820 in the House, would repeal the rider and allow the Department to finalize the much needed regulation.

The Emergency bill also includes report language relating to the issue of oil and gas extracted from deepwater reserves in the Gulf of Mexico. Congress was wrong in 1995 when we provided a royalty free-ride on the first 88 million barrels of oil and gas extracted from these so called deepwater tracts to spur development in the Gulf. As I pointed out at the time, the holiday was not needed since the boom was already on and the technology available to make the investment more cost-effective.

But, small consolation though it was, we were assured that if the holiday turned out to be too generous to the oil industry, the royalty rates could be adjusted so we could recoup some of the loss in the future. However, once it became known that the Department was considering raising those post-holiday rates, the Congress quickly stepped up to protect its special interest supporters again by adding report language to the Emergency bill to prohibit the Interior Department from raising the rates on royalties from deepwater leases. Again, instead of looking at opening up areas off New Jersey, Florida and California, this Congress should be taking steps to assure that the American taxpayer is not cheated out of its fair share.

But, so far, this Congress has chosen a different route. Critics of the current system assert that oil companies owe the American people *more than $2 billion in underpaid royalties.* The States of Alabama, Louisiana and Texas, along with a group of private citizens, have made such a compelling case against the major oil companies that the U.S. Department of Justice has intervened in their litigation. Some

of the oil companies have already settled with the litigants, and one, ARCO, actually volunteered to correct their underpayments, offering up $524 million.

But, instead of supporting these efforts for the taxpayers, this Congress has spent its efforts looking for ways to shower additional public benefits on the oil industry. In addition to the Emergency bill's provisions, the fiscal year 1998 appropriations bill also included a rider that prevented the MMS from requiring a minimum bid on offshore leases. And, as Senator Boxer, Representative Maloney and I work to make sure taxpayers receive a fair return on Federal oil and gas leases, the oil industry is pushing a bill in this Committee that will permanently reduce royalties. Under this plan, royalties would be paid "in-kind" instead of cash. So far, the States of Alaska, Texas and New Mexico have all voiced strong opposition to this bill. The Minerals Management Service says it would cost a minimum of $357 million per year.

If this Committee wishes to investigate the revenue impacts of national policy toward the oil and gas industry, I would suggest we begin with correcting problems in the existing system and not promote opening the California coast to development. In addition to repealing the royalty rider, Congress should:

- Eliminate the percentage depletion allowance for independent oil and gas companies. This will save about $2.4 billion over 5 years according to the Congressional Joint Committee on Taxation.
- Repeal the 15 percent credit for "enhanced oil recovery" and disallow expensing, or immediate write off, of so-called tertiary injectants until proper environmental regulations for the industry are adopted and the current waste and inefficiency in the oil and gas industry are dramatically curbed. These special tax breaks cost the treasury $500 million over 5 years according to the Congressional Joint Committee on Taxation.
- Repeal the tax provisions permitting oil and gas producers to immediately deduct "intangible" drilling and development costs (IDCs). Instead, require IDCs to be deducted over time. This reform would raise approximately $1 billion over 5 years according to the Congressional Joint Committee on Taxation.
- Eliminate the "passive loss" tax shelter for investors in oil and gas. This change would save $665 million over 5 years according to the Office of Management and Budget.
- Disallow corporate income tax deductions for future costs associated with illegally released pollution. Cleanup of existing pollution or contamination should be exempted. This reform could save taxpayers at least $1.5 billion over five years.

Instead of making it easier for oil companies to pay less than the fair market value of oil and gas extracted from public lands, and looking for new areas for oil companies to cheat the American taxpayer on, Congress should be assuring that the laws and regulations that govern these activities are effective and enforced. That job should begin in this hearing room, not on the California coast.

STATEMENT OF HON. JOE SCARBOROUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. SCARBOROUGH. Thank you, Chairwoman Cubin, and members of the Subcommittee, and George, for your invitation for me to share my thoughts on such an important subject as oil and gas leasing and development issues.

As George and the rest of you are well aware, offshore drilling in Florida is an issue of serious concern to me and has been a top priority of mine since coming to Congress a few years ago.

I represent the First Congressional District of Florida, which prides itself in its beaches, its white sands and its crystal clear water. In fact, four of our Gulf Coast beaches have been ranked among the top 10 in the country. Tourism is by far the largest industry in Florida, and our coastline economies are dependent on the condition of our coastline. As a result, we are very concerned with efforts to develop the OCS in the Eastern Gulf.

Congress in the last several administrations have understood our opposition to further leasing in the Eastern Gulf Planning Area off Florida's coast. Since the 1980's, Congress has passed, and the

President has signed, a moratorium on leasing and pre-leasing activities within 100 miles of Florida's Western coast within the annual Interior Appropriations Bill. The entire Florida delegation, the Governor, the cabinet, the legislature, and virtually all other local governments in Florida support a drilling moratoria. As you can imagine, there are very few, if any, issues that elicit such broad support among such diversion segments of Florida's population. It transcends party, ideology, age, race, and economic status.

In addition to the annual moratoria, Representative Goss and I have introduced legislation to reach a more permanent solution. I fully support Representative Goss's bill, H.R. 180, which would delay any drilling or leasing activities until adequate environmental analyses have been completed and would establish a joint Federal-State task force to fulfill this objective.

Last summer, I introduced H.R. 1989 with the full support of the entire Florida congressional delegation, to address a pending threat to our no-drilling policy. The Florida Coast Protection Act, identical to a bill introduced in the Senate by Senators Mack and Graham, calls for a permanent moratorium on leasing activity within 100 miles off the coast of Florida, basically writing the annual moratorium into permanent law.

It would have also canceled 6 leases just 17 miles off of Florida's Panhandle Coast and set forth a process to fairly compensate the lessees. We included this language in the bill to address an oil company's desire to sink an exploratory well on their block just 17 miles off the coast. Fortunately, they subsequently notified MMS that they did not intend to proceed with exploration and would instead allow the leases to revert back to the government.

While this section of the bill is no longer relevant, we remain concerned with future exploration with Chevron's development of the Destin Dome. Chevron has discovered a large gas deposit just 25 miles offshore of Pensacola and are moving forward with a development plan. We in Northwest Florida remain concerned over this site, and certainly support the State of Florida in their challenge to Chevron's proposed plan under the Coastal Zone Management Act. Chevron has appealed the challenge which will ultimately be decided by the U.S. Department of Commerce.

I share many of the concerns in this debate on the possible environmental threats of drilling just 25 miles off Pensacola. Florida is home to most unique and beautiful coastline in the country. And any threat to our coastal environment must be taken seriously. We in Florida maintain that there is inadequate scientific information available on the effects of drilling to warrant a change in our "no drilling" policy. In addition to the obvious concern of an oil spill, there are other pressures on the environment from both oil and gas development. As it's been stated previously, environmental studies are not complete and drilling effects on Florida's coastline are therefore not fully known. As the Florida delegation stated in a letter to Secretary Babbitt, "Until these studies are completed and the scientific information is available and analyzed, no decisions on pre-leasing, leasing, and drilling should be made about Florida's waters." And we stand by that statement today.

With the recent passage of the Royalty Relief Act, which I opposed, development in the Gulf of Mexico has exploded. Each new

lease sale brings record bids, increases in the incentives to explore new areas, and puts increased pressure on the Eastern Gulf. And I may add right here that during the Royalty Relief debate last year, we were told time and time again that nobody would go into that area unless Royalty Relief was passed. And our lessons over the past year show that to be false.

In closing, I urge the Committee to consider seriously more permanent legislative protection for Western Florida's coast. According to the Department of Interior's own estimates, the Eastern Gulf contains only a very small amount of the country's natural gas. I strongly believe that it would be foolish to jeopardize Florida's pristine coast, at least until the full effects of drilling are known. Writing the current moratorium on leasing in the Eastern Gulf into law, which my legislation would do, would offer a more permanent solution to the question of future leasing. We must also consider the options for dealing with the more urgent concern of the more than 150 existing leases in the remaining Eastern Gulf of Mexico. Without any intervention, Chevron could be in production on the Destin Dome as early as the year 2000.

I stand ready to work with the Subcommittee to address these matters of great importance to the State of Florida. I thank you, Chairwoman Cubin, for the opportunity to testify here today. I appreciate your holding the hearing and look forward to working with the Subcommittee in the future. Thanks a lot.

[The prepared statement of Mr. Scarborough follows:]

STATEMENT OF HON. JOE SCARBOROUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Thank you, Chairman Cubin, and members of the Subcommittee for the invitation to share my thoughts with you on such an important subject as oil and gas leasing and development issues. As you are aware, offshore drilling in Florida is an issue of serious concern to me and has been a priority of mine since coming to Congress.

I represent the First Congressional District of Florida, which prides itself in its pristine beaches, sugar-white sands, and crystal clear water. Four of our Gulf Coast beaches have ranked among the top ten in the country. Tourism is by far the largest industry in Florida, and our coastal economies are dependent on the condition of our coastline. Florida's beaches are its most valuable natural resource and the overwhelming majority of Florida's residents and tourists believe strongly that offshore drilling at this time is incompatible with an economy based largely on tourism, recreation, and commercial and recreational fishing. Florida's dependence on tourism and recreation cannot be overstated. As a result, we are very concerned with efforts to develop the OCS in the Eastern Gulf.

Congress and the last several Administrations have understood our opposition to further leasing in the Eastern Gulf Planning Area off Florida's coast. Since the 1980s, Congress has passed, and the President has signed, a moratorium on leasing and pre-leasing activities within 100 miles of Florida's Western coast within the annual Interior Appropriations bill. The entire Florida delegation, the Governor, the Cabinet, the legislature, and virtually all local governments in Florida support drilling moratoria. As you can imagine, there are very few, if any, issues that elicit such broad support among such diverse segments of Florida's population. It transcends party, ideology, age, race, and economic status.

In addition to the annual moratoria, Rep. Goss and I have each introduced legislation to reach a more permanent solution. I fully support Rep. Goss's bill, H.R.180, which would delay any drilling or leasing activities until adequate environmental analyses have been completed and would establish a joint Federal-state task force to fulfill this objective.

Last summer, I introduced H.R. 1989 with the full support of the entire Florida Congressional delegation, to address a pending threat to our no drilling policy. The Florida Coast Protection Act, identical to a bill introduced in the Senate by Connie Mack and Bob Graham, calls for a permanent moratorium on leasing activity within

100 miles of the coast of Florida, basically writing the annual moratorium into permanent law.

It would have also canceled six leases just 17 miles off Florida's Panhandle coast and set forth a process to fairly compensate the lessees. We included this language in the bill to address Mobil's desire to sink an exploratory well on their block just 17 miles off the coast. Fortunately, Mobil subsequently notified the Minerals Management Service that they did not intend to proceed with the exploration and instead would allow the leases to revert back to the government.

While this section of the bill is no longer relevant, we are concerned with future exploration and with Chevron's development of the Destin Dome. Chevron has discovered a large gas deposit 29 miles offshore of Pensacola and are moving forward with a development plan. We in Northwest Florida remain concerned over this site and certainly support the State of Florida in their challenge to Chevron's proposed plan under the Coastal Zone Management Act. Chevron has appealed the challenge which will ultimately be decided by the U.S. Department of Commerce.

I share the concerns of many in this debate on the possible environmental threats drilling just 29 miles off Pensacola. Florida is home to some of the most unique and beautiful coastline in the country. Any threat to our coastal environment must be taken very seriously. We in Florida maintain that there is inadequate scientific information available on the effects of drilling to warrant a change in our "no drilling" policy. In addition to the obvious concern of an oil spill, which does not apply to the Chevron site, there are other pressures on the environment from both oil and gas development. As has been stated previously, environmental studies are not complete and drilling's effects on Florida's coast are therefore not fully known. As the Florida delegation stated in a letter to Secretary Babbitt, "Until these studies are completed and the scientific information is available and analyzed, no decisions on pre-leasing, leasing, and drilling should be made about Florida's waters." I stand by that statement today.

With the recent passage of the Royalty Relief Act, which I opposed, development in the Gulf of Mexico has exploded. Each new lease sale brings record bids, increases the incentives to explore new areas, and puts increased pressure on the Eastern Gulf. While our moratorium passes each year with broad, bipartisan support, we need a more permanent solution. In addition, we must address efforts to develop and further explore pre-moratorium leases.

In closing, I urge the Committee to seriously consider a more permanent legislative protection for the Western Florida coast. According to the Department of Interior's own estimates, the Eastern Gulf contains only a very small amount of the country's oil and natural gas. I strongly believe that it would be foolish to jeopardize Florida's pristine coast, at least until the full effects of drilling are known. Writing the current moratorium on leasing in the Eastern Gulf into law, as my legislation would do, would offer a more permanent solution to the question of future leasing. We must also consider the options for dealing with the more urgent concern of the more than 150 existing leases remaining in the Eastern Gulf of Mexico. Without any intervention, Chevron could be in production on the Destin Domes early as the year 2000. I stand ready to work with the Subcommittee to address these matters of great importance to the State of Florida.

Thank you, Chairman Cubin, for the opportunity to testify here today. I appreciate your holding this hearing and look forward to working with the Subcommittee in the future.

Mrs. CUBIN. Thank you, Congressman Scarborough. Now I just want—your testimony was compelling, but I want to just put your mind at ease a little bit.

You know that Chevron area is at least 20 miles out, that's gas. So if there's a leak, it'll be bubbles; it won't be a big gas spill or oil spill to come onto your shore. So, you can sleep better tonight, right?

Mr. SCARBOROUGH. You know the fact that you, from the Chair, would make a statement like that is going to make me very nervous as I fly back to the pristine coastline of Florida this evening, but have a good weekend in Wyoming, or wherever you're going to be.

[Laughter.]

Mrs. CUBIN. Congressman Pallone.

STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Madam Chairman, and members of the Committee. I know you've been listening to us for a while here and I appreciate the fact that you're willing to bear with each of us as we make a presentation. I'm going to try and summarize my statement—you know—if I can include the whole thing as part of the record, I'd appreciate it.

I wanted to say that the first bill that I introduced when I became a Member of Congress back in 1988 was legislation to prohibit the Department of Interior from spending any funds for any activity related to mid-Atlantic OCS oil and gas lease sale. In fact, I framed the bill and I have it in my office on top of my bookshelf. I've once again joined with our Resource Committee colleagues, Mr. Jones and Mr. Hinchey, and with other members representing the mid-Atlantic States to introduce legislation establishing a mid-Atlantic moratorium on offshore oil and gas leasing. This bill, H.R. 2555, is similar to the legislation I first introduced 10 years ago.

The bill prohibits the Department of Interior from spending any funds for any activity related to mid-Atlantic offshore gas or oil lease sales. It would protect waters offshore of Connecticut, New York, New Jersey, Delaware, Maryland, Virginia, and North Carolina. And I've also joined as an original co-sponsor of Mr. Riggs' legislation, H.R. 3074, which has the similar effect for both the entire east and west coast of the United States.

I mention these because I think there are about 6 bills in the house that collectively would prohibit OCS oil and gas lease sales off all the 18 States coast lines, and these bills are supported on a strongly bi-partisan basis. It just basically show the adversity that exists to opening up our shores to drilling.

Now, over the years a lot of us haven't been too concerned because, as you know, and I think Congressman Regula mentioned it earlier, every year there has been a moratorium in the Interior Appropriations Bill, and we all go and testify there. Even though he doesn't know he's agreed with it, we manage to get it into the bill. But I notice that he said that he is again against any permanent moratorium. I think that's unfortunate. I think that's in fact what we need and I would urge the Subcommittee to move in that direction.

I'm not going to go into too many more details because it's in my statement. But I just wanted to say that they're really three reasons why I and, I think so many others continue to oppose these kinds of sales and leases. And one is that we really don't believe that the offshore drilling is necessary for reasons of national or energy security. Second, we oppose exploiting the OCS simply as a new source of revenue when we continue to give away our other natural resources through out of date sea royalty and leasing programs. And third, I believe that drilling off of our shores poses severe threat to our marine environment.

I'm not going to get into points one or two. It's in my statement, and I know that Senator Boxer talked about that article in the Washington Post about the four oil companies that are being sued by the Federal Government. And I'm obviously concerned about

that. I just wanted to say on the last point about the environmental and economic point of view.

In New Jersey, we've learned very well, I think, that a healthy coastal environment also means a healthy coastal economy. New Jersey's coastal zone—I represent about a third of it, along with Jim Saxton and Frank LoBiondo. Our coastal zone as a whole contributes tens of billions of dollars to State coffers. About half of New Jersey's gross State products comes from the coastal zone. People don't usually realize that.

I guess our concern is that all of this could be jeopardized by the environmental consequences of offshore drilling. We saw what happened back in the late 1980's when we had all the sewer, the washups of medical waste and dredge materials, and material that was coming from combined sewer overflow in New York. For years we lost billions of dollars in our State economy, and basically we feel that the risk of drilling off the mid-Atlantic coast far outweigh the benefits; that in the long run what would happen is that our State economy would suffer severely.

I want to say in conclusion, it's not just an environmental concern. It's also an economic concern. I think the feeling—the reason why so many of us from the coastal States would like to see permanent moratorium in effect is because of the impact not only on the environment, but also our fear about the impact on our economy. Thank you.

[The prepared statement of Mr. Pallone follows:]

STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Thank you, Madam Chairwoman and Mr. Romero-Barceló, for holding this hearing and inviting me to testify today on the issue of Outer Continental Shelf (OCS) Oil and Gas Leasing.

The issue of offshore drilling is one that has concerned me since I first came to Congress almost 10 years ago. In fact, the very first bill I ever introduced was legislation to prohibit the Department of Interior from spending any funds for any activity related to a mid Atlantic OCS Oil and Gas Lease sale.

As you know, I have once again joined with our Resources Committee colleagues, Mr. Jones and Mr. Hinchey, and with other members representing mid-Atlantic states to introduce legislation establishing a mid-Atlantic moratorium on offshore oil and gas leasing. This bill, H.R. 2555, is the great, great grandchild of my original legislation.

The legislation that we have introduced is simple. The bill prohibits the Department of Interior from spending any funds for any activities related to a mid-Atlantic off-shore gas or oil lease sale. The bill would protect waters offshore of Connecticut, New York, New Jersey, Delaware, Maryland, Virginia, and North Carolina.

In addition, I have joined as an original cosponsor of Mr. Riggs' legislation, H.R. 3074, which would prohibit the Secretary of the Interior from issuing OCS oil and gas lease sales on both the east and west coasts of the United States, including New Jersey.

In total, I believe that there are at least 6 bills in the House that collectively would prohibit OCS oil and gas lease sales off of all 18 states along the east and west coasts of the U.S. These bills are supported on a strongly bi-partisan basis and with significant geographic distribution as well. I think that this, in and of itself, clearly shows the adversity that exists to opening up our shores to drilling.

Over the years, the Department of Interior's Minerals Management Service has made several proposals for a mid-Atlantic OCS oil and gas lease sale. Each time, legislators from the mid-Atlantic states, regardless of party affiliation, have joined together to oppose these proposals.

I have opposed, and will continue to oppose, any proposal of a mid-Atlantic OCS oil and gas lease for three main reasons: (1) I do not believe that offshore drilling is necessary for reasons of national or energy security, (2) I am opposed to exploiting the OCS simply as a new source of revenue, when we continue to give away our

other natural resources through out of date fee, royalty, and leasing programs, and (3) I believe that drilling off of our shores poses a severe threat to our marine environment and therefore to the economies of our coastal states.

With respect to our nation's energy security, I feel strongly that we need to focus more on diversifying our sources of energy, not just diversifying our sources of fossil fuel. We need to be actively developing alternative, renewable energy sources. A greater diversity in energy sources will reduce our need for off-shore drilling, decrease our dependence on fuel imports, and protect against future oil price shocks. Continued development of efficient and renewable energy sources also will free up capital for increased domestic investment that will spur economic growth, and ensure continued technological innovation and global competitiveness in these areas. In addition, technological development in these areas is necessary to make our current primary energy sources as safe as possible. Further, using renewable energy sources will reduce damage to natural resources and will result in fewer emissions of greenhouse gases and other pollutants.

From the standpoint of creating new sources of Federal revenue, I feel that the American people would be better served by eliminating the natural resource subsidies that are still on the books, rather than initiating additional public resource giveaways and, increasing the drain on taxpayer dollars, and encouraging environmentally damaging development activities. Just two weeks ago, it was reported in the Washington Post that 4 oil companies are being sued by the Federal Government, and 10 other companies are under investigation, for understating the value of crude oil produced on Federal and tribal lands. According to the project on government oversight, the oil companies have shortchanged the U.S. Government to the tune of more than $2 billion in underpaid royalties.

MMS is in the process of trying to resolve this problem, which the agency proposes to do by basing royalty fees on an independent measure: the world market price for oil. Yet language just included in the Emergency Supplemental Appropriations bill prohibits the Minerals Management Service from making these changes to the program, thereby allowing big oil companies to continue robbing the American people of billions of dollars in revenues. Before we open up new public natural resources to development, I think we should work on eliminating existing subsidies, including subsidies for mining, grazing, and logging on public lands as well as existing irrigation subsidies.

And finally, I am opposed to offshore drilling from both an environmental and an economic standpoint. In New Jersey, we have learned very well that a healthy coastal environment also means a healthy coastal economy. New Jersey's coastal zone as a whole contributes tens of billions of dollars annually to state coffers—or about half our gross state product. Within that, coastal tourism accounted for more than $14 billion in 1997, over half of the state's travel and tourism revenues. In addition, an American sportfishing association study recently showed that in 1996, the total economic impact of angler expenditures in New Jersey exceeded $2 billion. Recreational fishing in New Jersey also supported almost 22,000 full-time jobs and generated $69.5 million in state revenues and $63.3 million in Federal tax revenues. New Jersey's commercial fishing industry is estimated to add an additional $700 million to the economy as well as to support tens of thousands of jobs.

Unfortunately, all of this could be jeopardized by the environmental consequences of offshore drilling. Put simply, Madam Chairwoman, the risks of drilling off the mid-Atlantic coast far outweigh the benefits. This is one of those unique facts that is recognized by all sides: commercial and recreational fishermen, environmentalists and business interests, Republicans and Democrats. We need to ensure all sectors of the coastal economy that are dependent on coastal environmental quality, both in my state and in other coastal states, that the government will not impose unwanted, unsound, and unneeded oil and gas development off our coasts.

In conclusion, I again thank the Chairwoman for holding this important hearing, and strongly urge the Subcommittee to move H.R. 2555 and H.R. 3074. Thank you.

Mrs. CUBIN. Is Mr. Whitfield here? Would you like to just come forward and join the last witness? Congressman Nick Lampson, I'd like to recognize you for your testimony.

STATEMENT OF HON. NICK LAMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. LAMPSON. Thank you, Madam Chairwoman. I hate to sit here and follow my very good friend, Mr. Pallone, and take a little bit of a different view, but that's what I'm getting ready to do.

The gas and petroleum reserves under ultra deep water on the continental slopes of the Gulf of Mexico have demonstrated in the past several years to be of absolute enormous economic and strategic significance to the United States. The rising interest is evidenced by the recent offshore natural gas and oil lease sale in the Western Gulf of Mexico in which the Minerals Management Service received some $800 million in high bids. There are currently over 150 companies with over 3,800 producing platforms active in the Gulf of Mexico.

As industry moves into deeper water, new technology, safety, and environmental challenges will need to be met by the Mineral Service in its role of supervising the exploration, development, and production of gas, oil, and minerals on the Outer Continental Shelf.

Oil and gas operators are subject to the highest standard of environmental regulations. The Federal Government's stringent environmental regulations on the oil and gas industry are protecting the quality of our waters, coastal areas, and marine life. Offshore drillers are required to obtain 17 major permits and follow 90 sets of Federal regulations. The Department of Interior's Mineral Management Service says that since 1975, when current Federal offshore safety regulations went into effect, the industry has had an environmental record that is 99.999 percent safe.

The implementation of further restrictions, and their minimal impact on the environment must be balanced against their potential harm to our economy and national security.

Today, over half of the petroleum products we use come from abroad. Bans on the Outer Continental Shelf operations mean that the United States increases on foreign oil. That increases our dependence on foreign suppliers, giving them added powers and added incentives to interrupt our supplies and to affect our prices. Making our country more vulnerable to foreign suppliers could add to our defense burdens and put our national security at risk.

Restrictions also stop new revenue from coming into the Treasury while we are trying to end decades of damaging budget deficits. Offshore leasing in Federal waters has been highly productive for the Federal Treasury. Since the offshore leasing program began, offshore oil and gas activities have generated over $117 billion in revenues to the Federal Government. A continuing stream of revenue is needed to keep the Federal budget balanced.

Offshore operations afford American workers and American companies in virtually every State an essential opportunity for jobs and economic growth. A 1996 study by the American Petroleum Institute found that companies involved in the exploration and production of oil and gas in the Gulf of Mexico spent almost $6 billion with 6,000 vendors in 49 States. While much of that $6 billion was spent in States adjacent to the Gulf, tens of millions of dollars, and sometimes hundreds of millions, were spent with vendors as far away as New York, Pennsylvania, Illinois, and California. Offshore drilling produces jobs, paychecks, and benefits for American families.

In summary, Madam Chairman, we must balance further restrictions on oil and gas operations and their environmental impact against economic growth. Restrictions endanger our energy security and could add new burdens to maintaining our national security.

They close off opportunities for new revenue to help balance the Federal budget, and they restrict opportunities for working people in 49 States. We must take a closer look at greater regulation.

I think as we go through all of this, there are ways that we can find to increase greater benefits to the coastal regions who are willing to be involved in these kinds of businesses. There is a sacrifice; and there is always the potential of a danger. But there's also a danger in many, many other ways in our life every day. So there's hope on my part that we will be able to go forward with a good balance and look for the ways as, even Mr. John and others are working on in the State of Louisiana and other coastal States, particularly on the Gulf of Mexico, to make this work and to make other areas of our coastal needs work, and work very efficiently.

Thank you.

[The prepared statement of Mr. Lampson follows:]

STATEMENT OF HON. NICK LAMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, the gas and petroleum reserves under ultradeep water on the continental slopes of the Gulf of Mexico have demonstrated in the past several years to be of enormous economic and strategic significance to the United States. The rising interest is evidenced by the recent offshore natural gas and oil lease sale in the Western Gulf of Mexico in which the Minerals Management Service received $800 million in high bids. There are currently over 150 companies with 3,800 producing platforms active in the Gulf.

As industry moves into deeper water, new technical, safety, and environmental challenges will need to be met by MMS in its role of supervising the exploration, development and production of gas, oil and minerals on the Outer Continental Shelf.

Oil and gas operators are subject to the highest standard of environmental regulations. The Federal Government's stringent environmental regulations on the oil and gas industry are protecting the quality of our waters, coastal areas, and marine life. Offshore drillers are required to obtain 17 major permits and follow 90 sets of Federal regulations. The Department of the Interior's Mineral Management Service says that since 1975, when current Federal offshore safety regulations went into effect, the industry has had an environmental record that is 99.999 percent safe.

The implementation of further restrictions and their minimal impact on the environment must be balanced against their potential harm to our economy and national security.

Today, over half the petroleum products we use come from abroad. Bans on OCS operations mean that the United States increases its dependence on foreign oil. That increases our dependence on foreign suppliers, giving them added powers and added incentives to interrupt our supplies and affect our prices. Making our country more vulnerable to foreign suppliers could add to our defense burdens and put our national security risk.

Restrictions also stop new revenue from coming into the Treasury while we are trying to end decades of damaging budget deficits. Offshore leasing in Federal waters has been highly productive for the Federal Treasury. Since the offshore leasing program began, offshore oil and gas activities have generated over $117 billion in revenues to the Federal Government. A continuing stream of revenue is needed to keep the Federal budget balanced.

Offshore operations afford American workers and American companies in virtually every state an essential opportunity for jobs and economic growth. A 1996 study by the American Petroleum Institute found that companies involved in exploration and production of oil and gas in the Gulf of Mexico spent almost $6 billion with 6,000 vendors in 49 states. While much of that $6 billion was spent in states adjacent to the Gulf, tens of millions of dollars, and sometimes hundreds of millions, were spent with vendors as far away as New York, Pennsylvania, Illinois, and California. Offshore drilling produces jobs, paychecks, and benefits for American families.

In summary, Mr. Chairman, we must balance further restrictions on oil and gas operations and their environmental impact against economic growth. Restrictions endanger our energy security and could add new burdens to maintaining our national security. They close off opportunities for new revenue to help balance the Fed-

eral budget. And they restrict opportunities for working people in 49 states. We must take a closer look at greater regulation.

Mrs. CUBIN. Thank you for your testimony, spoken like a true Republican.

Mr. LAMPSON. Give me a break.

[Laughter.]

Mrs. CUBIN. I just couldn't help myself. I really do agree with your testimony. You know my State of Wyoming, while it is a different kind of beauty, certainly is a spectacular place to live and to visit, and tourism is an extremely important industry there. As Chairman Regula brought forward, we do allow drilling in the forest, and on the BLM lands, and it can and is done in a balanced manner. So I think we need to keep our minds open. Thank you.

Mr. LAMPSON. We even create greater opportunities for people to enjoy the good things that are going out there because of much of this activity that is going on. If we can find ways to use some of those resources, ultimately, to help protect the coastal wetlands, which is something that is dramatically important for all of the whole United States—even though the great predominance of those wetlands fall in the States of Louisiana and Texas, and even Florida. If we can begin to use some of those resources to address the national assets that we have along there that we are rapidly losing, then I think that we gain tremendous amount for our environment. And again, it's a matter of balance, it's not a matter of going so far one way or the other that we lose the opportunities that we might create for ourselves along the way.

Mrs. CUBIN. That's right. I don't think anyone would argue that there are areas where there should be no drilling. Absolutely, those need to be reserved and maintained, but we do need to keep an open mind about it, I think. Thank you for your testimony.

Mr. LAMPSON. You're very welcome.

Mrs. CUBIN. I see Mr. Goss just came into the room. Now if you would prefer, Mr. Whitfield can go first while you gather your thoughts. But if you'd please just take a seat at the table. Or you can go first because you're the man.

Mr. GOSS. He's been waiting, thank you very much.

Mrs. CUBIN. Thank you. I'd like to recognize now Mr. Whitfield, the Environmental Advisor, the Office of the Governor of Florida.

STATEMENT OF ESTUS WHITFIELD, ENVIRONMENTAL ADVISOR TO GOVERNOR LAWTON CHILES OF FLORIDA

Mr. WHITFIELD. Thank you, Madam Chairman, members of the Subcommittee. I appreciate the opportunity to come and testify on behalf of Governor Lawton Chiles. With your permission, I'll submit a written statement and make some comments orally.

We wish to voice concerns about the negative effects of oil and gas development, particularly off the coast of Florida. These concerns come from across the broad spectrum, citizens interest, elected officials, and the scientific community. And, I want to lend support to H.R. 180 by Congressman Goss.

Florida has three Outer Continental Shelf areas. Two of these, South Atlantic and the Straits of Florida, that basically cover the eastern and southern part of the State. There are no leases scheduled during the 1997–2002 program, and there are no active leases

in these areas. So these two areas are not under immediate threat. However, the panhandle, which is the eastern Gulf of Mexico, the potential remains high. There are 150 leases which cover 864,000 acres off Florida that have been leased. In fact, there's one that has been referred to earlier, about 25 miles off the coast of Pensacola, by Chevron, it's a major production proposal that is currently under appeal by Chevron under the Coastal Zone Management Act Consistency Program.

The environmental and economic importance of Florida's marine and coastal habitats is extraordinary. And these areas are pristine, basically, off the entirety of Florida. These are the habitats of many species of both ecological, endangered and threatened, and economic importance. For example, 90 percent of the reef fish, mostly snapper and grouper, of the Gulf of Mexico are caught off the coastline of Florida. And there are over 50 State and national recreation areas along this area of Florida, including the Gulf Island National Seashore.

Over 70 percent of Florida's population lives and works in the coastal zone. We're second only to California in recreational and tourism expenditures. In 1996, the cities of Panama City, Pensacola, and Fort Walton realized a $1.5 billion taxable sales in tourism and recreation.

Oil spills and blowouts are the obvious major visible concern that a State has with oil and gas drilling. But it's the every day adverse effects of chronic pollution from effluent discharges and pipeline installation and operation that we really worry about; it's the chronic effects.

The environmental studies and analyses are not yet complete. The environmental impact statement on the precedent setting development and production operation of the Chevron proposal off the coast of Pensacola is not yet complete. And yet the State of Florida has been required by Federal law to take the position on consistency. And the Federal coastal zone consistency is the strongest legal measure a State has in trying to affect a decision on oil and gas, and we are required to do that prior to the completion of an environmental impact statement. We think that H.R. 180 will help us in that regard.

H.R. 180 will not allow oil and gas activity in Florida until all of the studies are complete, and by the Mineral Management Services' own admission and data and information, they're not complete. There are lots of studies that need to be done, not to mention the Environmental Impact Statement.

So these kinds of things need to be completed prior to a decision. H.R. 180 will help that—help us avoid the adverse consequences.

Thank you very much.

[The prepared statement of Mr. Whitfield may be found at end of hearing.]

Mrs. CUBIN. Thank you for your testimony.

Congressman Goss, welcome. I understand you were here a couple of times earlier. Sorry we weren't on time. Welcome.

STATEMENT OF HON. PORTER J. GOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. GOSS. Thank you, Madam Chairman. It's a pleasure to be back again. And, in fact, I spent many happy years in this room as part of my time in Congress, and it's particularly nice to be back among familiar faces and familiar places. So thank you for the welcome, and I'm sorry the schedule put me elsewhere. I appreciate the accommodation to be here today, and I very much appreciate you having this hearing.

Mr. Whitfield has made a lot of good points that I wanted to make, so I would ask that my formal statement be accepted without objection in the record. Thank you. And I would then like to just make a couple of brief points.

Primarily, on H.R. 180, and why H.R. 180 even exists. I think that back in 1983, the annual moratorium that was put in place to deal with this question that we have wrestled with in Florida about what's the right way to approach oil exploration off our coast in Federal waters. The moratorium was put in to buy time; well we bought 15 years. And it seems to me that after 15 years, we ought to be making some progress on setting up a policy. So H.R. 180—which had predecessors in previous Congresses—was trying to sort of jolt us away from the annual moratorium process, and we had a lot of encouragement from the Appropriations people to do that and come up with a better approach than the annual moratorium.

So that's way we put H.R. 180 in, and we've refined it considerably over the years. There have been a lot of interested parties, of course—State, Members of Congress, appropriate committees, people in the oil and gas industry, a lot of the environmentally concerned people, and business communities, chambers of commerce, local government as well. And virtually everybody agrees that Florida has a special case and we need to do something special. But if we're going to make a decision, we've got to make it on the basis of good facts—scientific facts hopefully—and we've got to come up with something that's fair for everybody because there's a lot of players. So we want a comprehensive plan that's based on good information, and that's what H.R. 180 is designed to get us.

The concerns that we have in Florida—I would just underscore again what Mr. Whitfield has said that the devastating impact of an oil spill on our Mangrove forest is regrettably a known fact. It's something we can't tolerate; it effects our economy very badly, and I'm certainly not one to say that just because you have oil and gas industry, you're going to have leakage; or you're going to have a spill or anything like it. But the possibilities are there—and I want to understand what the consequences are before we go much further down the road—on the oil and gas exploration that's already there. And I believe everybody feels that way because we have had a couple of incidents and it's been very unhappy.

The second thing is from the oil and gas perspective. I think we owe the private property owners some certainty in what they do here. I think that the idea of doing a study based on what the exact scientific data in the Eastern Gulf primarily is will benefit and give certainty, and give us a way to go forward and allow business people to make sound business decisions.

I think finally we've got to recognize that in southwest Florida, taking care of the environment is a very important requirement for political service. It is expected of you in government there. People recognize, as in your own State Madam Chairman, what a wonderful place it is. We just don't have anything that goes that far above sea level in Florida. And in fact, the highest point in my home town is 14 feet above sea level, and that's a very short stretch of beach indeed. We have a wonderful place also, but it is very sensitive to the vicissitudes of Mother Nature and things like oil leaks.

We've worked very closely with the State of Florida, and a whole lot of other people. We think we've got a good plan under H.R. 180. We've brought, I think, a good joint Federal/State proposition to the floor. We certainly have the representative agencies. We've got the Governor; we've got National Academy of Sciences; and if we've got it wrong, we certainly welcome any advice or guidance that the Committee or anybody else would like to make. We don't claim full wisdom on this. We felt we've done it fairly and wisely.

What we have planned to do is to take advantage of the 5-year lease period and basically extend a moratorium through that period—and do our study work at that time, and then go forward once we have some good information. I think everybody comes out ahead if we do it this way rather than the annual moratorium, which is solving nothing, and causing some consternation because it is a Catch 22 for the business interest; and it's also an uncertainty and an annual chore for those of us in government. We would rather do a study and know what we're talking about rather than putting a hold on things saying we're not sure. As I say, 15 years is enough in that mode.

The questions that have been asked of us before by the Resources Committee are very fair questions. I'm sure these and others are questions we're prepared to answer. Why do we need to do something. I think I have given you some indication that both the business community and the stewards of the State's responsibilities of our environment would like to be dealing with better information. That's why I think the study is very important. We would like to have some certainty.

Secondly, we've been asked the question, what's the effect of H.R. 180 on funding for the Land and Water Conservation Fund, a question that I know is dear to everybody's heart. And the answer is, I suspect if we stay in the annual moratorium mode, we aren't getting anywhere on that. If we come up with a plan, we may have more, we may have less, but at least we'll be dealing on the basis of good fact. And I firmly believe that we are going to have an oil and gas industry, but I want to have it on a sensible terms. Rather than being unfair to the people who have invested now in the oil and gas industry with the moratorium, and allowing for no further progress one way or the other on it—either buy-back or any other of the schemes that we've talked about—it seems to me that we ought to open up the whole subject because the Land and Water Conservation Fund contribution question is a totally legitimate question for the U.S. Congress, and I think we're going to get it on the base of fact through the proposals of H.R. 180, and I don't see any other alternatives out there to deal with the subject. But I think we'd all like to deal with it.

Finally, the third question we've been asked is the make-up of the task force. We are trying to provide a scientific panel that has all the necessary interest on it. If we haven't got it right, as I say, we'll look at a different way. We have the Federal agencies represented, the State represented, obviously responsibly, and what I think is a group of good qualified scientists.

So we think we've come up with a pretty good solution. We've had a couple of hearings on it over the years. We've moved it along, and I think now is the time that we could move it even further.

I thank you very much for your attention.

[The prepared statement of Mr. Goss follows:]

Mrs. CUBIN. Thank you for your testimony.

Do any members of the panel have any questions of all of these witnesses? OK, thank you very much.

Mr. GOSS. Thank you very much; thank the panel.

Mrs. CUBIN. Next witness we'll call is Cynthia Quarterman, the Director of the Minerals Management Service. And thank you for being with us as well. We do appreciate it.

Ms. QUARTERMAN. Good afternoon. Thank you. Madam Chairwoman——

Mrs. CUBIN. It's not you; and we're not insane—with everyone leaving.

Ms. QUARTERMAN. I'm sorry. I'll get some water then.

Ms. CHRISTIAN-GREEN. Madam Chair, Madam Chair. While we're waiting, may I ask unanimous consent to enter my opening statement to the record as well?

Mrs. CUBIN. Without objection, so ordered.

[The prepared statement of Ms. Christian-Green follows:]

Mrs. CUBIN. We're not timing you, Ms. Quarterman, so you can just begin whenever you want.

STATEMENT OF CYNTHIA L. QUARTERMAN, DIRECTOR, MINERALS MANAGEMENT SERVICE, DEPARTMENT OF THE INTERIOR

Ms. QUARTERMAN. Madam Chairwoman, and members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the issue of OCS moratoria. As you may recall, I appeared before your Subcommittee almost two years ago and presented testimony on the same issue. My testimony at that time described in some detail the history of Federal offshore oil and gas activity, and the associated conflicts and controversies that lead to moratoria. I also described the Department's approach to managing the OCS program and resolving some of the problems that we inherited.

Today, I'd like to discuss the Department's approach to moving the OCS program from conflict toward consensus—including the role of OCS moratoria in that approach—and to update you on the progress of some of our efforts.

As the Subcommittee is well aware, the OCS program provides significant energy and economic benefits to the Nation. These benefits go hand-in-hand with an excellent offshore safety and environmental record. And MMS has made safety and environmental protection its No. 1 priority for the offshore program. This emphasis

will help ensure that the benefits the OCS program provides will continue.

These benefits notwithstanding because of the way the OCS program was managed in the past, it led to conflict, controversy, and ultimately moratoria. I will not detail the history of moratoria. Instead, I would commend to you two reports that our OCS Policy and Scientific Committees put together to document this history. One is Moving Beyond Conflict to Consensus, which they put together in 1993, and the other is the Environmental Studies in OCS Areas Under Moratoria, which was put together in 1997.

The first report has played a significant role in the Department's approach to managing the OCS; and the second report, which is more recent—I'd like to submit for the record today, since it contains information pertinent to our discussion——

Mrs. CUBIN. Without objection, so ordered.

[The information referred to may be found at end of hearing.]

Ms. QUARTERMAN. When this administration assumed management of the OCS program in 1993, there were substantial problems facing it. For example, there were congressional leasing moratoria on the Atlantic and Pacific coasts, Eastern Gulf of Mexico, and North Aleutian Basin off Alaska. There were also congressional drilling bans on previously issued leases in the southeastern part of Eastern Gulf of Mexico, and the North Aleutian Basin, and offshore North Carolina. And there was litigation pending regarding those leases. There were also leases issued in areas currently under leasing moratoria off the Florida Panhandle, and off California that demanded our attention.

Finally, there were lease sales scheduled around the coast that were generating controversy. The Department knew that if the OCS program was to remain viable, it would have to rethink its approach to managing the program.

Therefore, we undertook several steps. First, we undertook the challenge of resolving existing controversies as a way of setting the stage for consensus building. One of the tools that we employed in that approach was to endorse the existing annual congressional moratoria as a way of ensuring our stakeholders that the status quo would be maintained while discussions ensued. We believe strongly that it was important to ensure that no new leasing occurred in areas where we were attempting to resolve intense disputes concerning already existing leases, as well as some controversial areas where leasing was contemplated.

The annual congressional moratoria helped us to do several things, including settling litigation concerning leases in the North Aleutian Basin and the Eastern Gulf of Mexico, which resulted in their relinquishment; settling litigation on the majority of leases offshore North Carolina, which resulted in their relinquishment, while still preserving the promising "Manteo Unit" for possible exploration; canceling proposed lease sales in the Atlantic and Eastern Gulf that were precluded by moratoria, thereby allowing us and our stakeholders to concentrate on resolving issues related to potential exploration and development of the remaining existing leases; and focusing efforts off California on discussing the possible development of existing leases without the distractions that proposals for new leasing would engender.

In short, annual moratoria and the actions we were able to take with them in place, helped us to begin the difficult process of building trust and making strides to put the OCS program on firm footing. We also decided to cancel three lease sales off Alaska, since there was low industry interest and some concerns were expressed concerning other resources there. However, the sales were canceled with the knowledge that this administration would soon have the opportunity to formulate its own 5-year program, and could consult further with stakeholders to reach consensus on future sales proposals.

Our second challenge was to develop an OCS 5-Year Oil and Gas Program for 1997 through 2002. They was both consensus based and met the requirements of the OCS Lands Act. During the 2-year process of developing that program, we consulted with and listened closely to our stakeholders. As a result of that process, we decided on the following.

In the Pacific Region, we ultimately decided not to schedule an OCS sale. After extensive discussions, we believed that such a sale was premature. Especially in light of the challenges posed by the existing, but undeveloped leases. I believe that this decision was the correct one; it has enabled us to work with our stakeholders on important development issues. As a result, production from existing developed leases has increased significantly to about 150,000 barrels a day.

In the Atlantic Region, we decided not to propose a lease sale for the area, given the ongoing litigation and controversy. Instead, we are using this time to talk to and work with constituents. For example, we have been working closely with the State of North Carolina concerning possible development of the "Manteo Unit" by Chevron. We recently held a workshop on environmental issues associated with possible exploration. There is still much work to be done but discussions to date has been fruitful.

In the Alaska Region we established the Alaska Regional Stakeholders Task Force to facilitate stakeholder participation in developing the current OCS 5-year program. Based on their recommendations, the new program proposes consideration of leasing in some of the areas that had previously been deferred, as well as Cook Inlet and the Beaufort Sea.

We're also continuing to consult closely with the State, native organizations and others concerning several Beaufort Sea development projects. Those projects, and the plan lease sales, point to a vibrant future for the program in that area.

In the Gulf of Mexico Region, we focused our efforts on the Eastern Gulf of Mexico, an area that had been under leasing moratoria for 8 years. Because of our efforts, we were able to identify a part of the planning area that lies more than 100 miles offshore Florida, and more than 15 miles offshore Alabama for possible lease in 2001. This solution for the Eastern Gulf of Mexico perhaps best exemplifies our approach to the OCS program. The area to be considered for possible lease is an area that was carved out based on consensus and science, and promises to make natural gas resources available to the Nation. Thus, the current OCS 5-Year program is a program that helps return predictability back to the OCS program, while ensuring that stakeholder concerns are addressed.

It's also important to know that Congress has agreed with this approach. After the secretary approves the current 5-year program, the administration sought, and Congress accepted, annual moratoria provisions that reflected the consensus achieved. Therefore, the current program and annual moratoria provisions included in the Department's fiscal year 1998 Appropriations Act are now in harmony with our fiscal year 1999. The Department has again proposed to carry forward that language from fiscal year 1998. We believe this rollover will be useful to us as we continue to work with our stakeholders and attempt to resolve issues of concern.

As we look to the future of the OCS program, it is possible that advancing technology, coupled with our acquisition of sound scientific information, our continued diligent administration of effective environmental and safety practices, and our willingness to work with our stakeholders can go a long way toward challenging existing perceptions and attitudes; and help us forge more widespread consensus concerning the OCS program.

However, we must have all of those ingredients if we are to progress further. If we do not, we are likely to repeat the mistakes of the past.

This concludes my opening remarks. I'd be happy to answer any questions the Subcommittee might have.

[The prepared statement of Ms. Quarterman may be found at end of hearing.]

Mrs. CUBIN. Thank you for your testimony.

Are there any questions on the Committee? If not, this is the easiest day you've ever had here, isn't it?

[Laughter.]

Ms. QUARTERMAN. I appreciate that.

Mrs. CUBIN. And we'll see you back here in one week. Thank you.

I saw Congressman Taylor come in, and I understand he'd like to testify for the Committee.

STATEMENT OF HON. GENE TAYLOR, A REPRESENTATIVE FROM THE STATE OF MISSISSIPPI

Ms. TAYLOR. Thank you.

Mrs. CUBIN. Welcome, Congressman Taylor.

Mr. TAYLOR. Thank you very much. As a former member of the House Merchant Marine Committee, it's great to be back in here. Chairwoman, I'm going to submit some remarks for the record and try to be as brief as possible.

I was a member of this Committee when we did two significant things. No. 1, and I think of the most importance as far as this is concerned, was the passage of the Oil Pollution Act of 1990. The Oil Pollution Act of 1990 raised the cost of making a mistake for those people who transport oil and explore for oil so high, that I think they have seen to it that they don't make a mistake. And therefore, it was a good thing. It called for double hulls on vessels that transport oil and chemicals. It has already been implemented as far as barges; it will be implemented as far as offshore ships by the year 2015. I think it was an excellent piece of legislation and it has had excellent results.

I was also part of this Committee when we voted, I believe, unanimously to allow the Floridians to ban drilling within 50 miles

of their shore. I wish I had that vote back, because I know I cast—I made a mistake that day. I think the States ought to have absolute sovereignty in what they do within their State territory waters, but in Federal waters, I think Federal law should apply.

I happen to believe that offshore exploration can take place and protect the environment. I think we have seen to it with the Oil Pollution Act of 1990 that the penalty for making a mistake is so high that they just won't let that happen, and haven't let that happen.

I would encourage those of you who are concerned about this issue, not only from an environmental standpoint, but from a national security perspective, to read an excellent book by Stephen Ambrose, the author of Undaunted Courage and Eisenhower. But before those two books became famous, he wrote book called "A Rise to Globalism" which he compares America in 1988 to America in 1939. In 1939, we produced all of our own oil; we produced all of our own automobiles, all of our own electronics. We had a minuscule-standing army, and yet when we were called to the task in World War II, the fact that we had this incredible industrial base enabled us to rise to the occasion to defeat Nazi Germany and Imperial Japan. Compare that to 1988 when we had the undisputed greatest military force on earth, but half of the fuel that military uses comes from some place else.

Electronics that make our electric gadgetry in smart bombs in our planes work so well come from some place else. It creates in turn an incredible military vulnerability for our Nation.

Any step that we take to deprive this Nation of the ability to have energy independence is a mistake. We have seen to it that the oil companies, and those people who explore for oil are not going to pollute. It is ludicrous to take the additional step of depriving them of the opportunity of even searching for oil. Therefore, I would rise in opposition to any postponement on the further leasing of the offshore continental shelf. I think it would be counterproductive militarily; counterproductive economically; and I think it would be counterproductive ecologically because I can tell you as someone from a Gulf Coast State, the most sought after fishing spots off the Gulf Coast States are indeed the oil platforms and the associated structures that are placed out there by the oil companies. Additionally, several of the companies have an excellent program that when a rig outlives its useful life, it has been donated to create habitat for fish in the Gulf of Mexico.

So for a number of reasons, I think it would be a mistake for our country to put a moratorium on the leasing of the Outer Continental Shelf.

[The prepared statement of Mr. Taylor follows:]

STATEMENT OF HON. GENE TAYLOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. Chairman, thank you for allowing me the opportunity to testify before your Subcommittee today regarding the issue of oil and gas operations under the waters of the Outer Continental Shelf (OCS). Our nation has a growing need for oil and natural gas. That is why I must oppose restrictions on the development of domestic resources of the OCS. Restrictions on OCS oil and gas operations threaten the jobs of many of my constituents in Mississippi jobs and the jobs of working people across our nation. Equally important, OCS restrictions endanger the nation's energy security.

When jobs are created offshore, other jobs are created onshore. The OCS Policy Committee, part of the OCS Advisory Board that was established some years ago by the Department of Interior to advise the secretary, estimated that in addition to the jobs created offshore, "OCS activities indirectly provide about 2.5 jobs for every person directly employed by industry." Those jobs are created in Mississippi and across our nation. In 1996, exploration and production companies active in the Gulf of Mexico spent almost $6 billion with vendors in 49 of our 50 states. Over $33 million in sales were generated for Mississippi alone. Mr. Chairman, I believe Congress should enact legislation that helps the private sector create jobs. Restrictions on the exploration and production of oil and natural gas on the OCS destroys jobs. Offshore operations on the OCS means paychecks and benefits for people from Mississippi to California.

Mr. Chairman, restrictions on OCS operations also endanger our energy security. As a member of the House National Security Committee, I realize that energy security is a critical component of national security. I am concerned that our nation imports over half of the petroleum products we consume. Restrictions on OCS operations turn us away from domestic energy sources in favor of foreign sources. That increases our dependence on and vulnerability to those suppliers. It gives them powers and the opportunity to interrupt our supplies and affect our economy.

OCS leasing is an important source of revenue for our nation. Annually, the Minerals Management Service (MMS) collects in excess of $4 billion in OCS lease payments from the offshore industry. According to the MMS, OCS leasing is the greatest source of non-tax or tariff revenue for our nation. In these tight fiscal times, the importance of the OCS generated revenue to our nation's treasury cannot be overstated.

Finally, Mr. Chairman, because Mississippi is on the Gulf Coast, I want to say a word about protecting the environment. I know that exploration and production activities offshore, as onshore, are managed with the highest regard for the air, the land and the water. Offshore operations are one of the most tightly regulated environmental activities in our nation. There are laws, rules and regulations to protect the waters, to protect marine life and to protect our shores. The Minerals Management Service says that since 1975, the offshore industry has an environmental record that is 99.999 percent safe. That is a record that has earned the right to new opportunities, not more restrictions.

Those of us who live in the Gulf states want to protect the quality of our water and marine resources. As a Member of Congress who voted for the Oil Pollution Act of 1990 and the Air Act Amendments of 1990, I am proud of my record in support of strong environmental laws. The offshore industry has made environmental protection a fundamental part of its business plan. Even during Hurricane Andrew, the offshore industry's safety devices worked, shutting down production. Major spills were avoided, contrary to predictions of catastrophic spills from Gulf hurricanes. The offshore industry also is a key participant in the *Rigs to Reefs Program.* This program converts non-producing oil and gas platforms to reefs which provide critical habitat for finfish and other marine organisms. Since 1991, 112 rigs in Alabama, Florida, Louisiana and Texas have been converted to reefs as part of this program. Off the coast of Mississippi, there are currently seven OCS structures. These rigs, although in service, attract plenty of fish and are accessed by both recreational and charter boat fisherman.

In summary, Mr. Chairman, restrictions on the OCS are not needed. They will not significantly improve the environment. Instead, they restrict government revenues and economic opportunity. Additionally, it would increase America's dependence upon foreign oil and gas and endanger our nation's energy security.

Mrs. CUBIN. We certainly appreciate your testimony, and I know the people that are left in the audience appreciate that you gave the last word.

Are there any questions from the panel? Thank you very much for being here; we appreciate it.

[The prepared statement of Mr. Riggs follows:]

STATEMENT OF HON. FRANK D. RIGGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Madam Chair, members of the Subcommittee, thank you for the opportunity to testify today.

I appear before you to speak on behalf of the constituents of my congressional district and the many other Californians who are concerned about the expansion of oil and gas development on the Outer Continental Shelf (OCS).

Since 1982, Congress has recognized the importance of our shores and beaches, and placed a nationwide ban on oil and gas drilling on the OCS. Additionally, in 1990, President Bush issued an Executive Statement calling for a moratorium on oil and gas leases off the coasts of California and Florida until the year 2000.

OCS moratorium language has been added annually to the Interior Appropriations Act. However, a permanent moratorium on OCS leasing activities has never been enacted. In fact, moratorium legislation has never gotten past the hearing stage. Without a permanent, comprehensive moratorium, the coastal communities from California to Washington, and from Florida to Maine, that rely upon the fishing and tourism industries will never be safe from an attempt to lift the ban.

In order to ensure that these resources are protected, I have introduced two bills, H.R. 3073 and H.R. 3074, that will effectively and permanently resolve this issue.

H.R. 3073 will codify President Bush's 1990 Executive Statement, permanently protecting the two continental states with the longest coastlines—California and Florida. As a complement to H.R. 3073, H.R. 3074 would institute a nationwide ban on future oil and gas leasing programs on the entire outer continental shelf, permanently authorizing the current moratorium found in the Appropriations Act.

As the representative of 300 miles of the North Coast of California, I am keenly aware of the importance of an OCS moratorium to coastal communities. The fishing and tourism industries in my district are dependent upon a healthy and vibrant seashore. With unemployment along much of the north coast in the double digits, the OCS moratorium helps to ensure the protection of a natural resource that provides a steady stream of jobs.

California's tourism and recreation industry is the state's largest employer. Coastal tourism generates over $27 billion annually and accounts for thousands of jobs. Additionally, the fishing industry is the primary employer for many small communities up and down the state. The commercial value of the fisheries of Alaska, Washington, Oregon and California is too great to put at risk for the small amount of estimated recoverable oil in the protected areas.

The effects of oil spills and the crippling damage to the delicate balance of wildlife are of great concern to all Californians and me. Furthermore, the ecosystem degradation caused by additional oil and gas development could impact protected marine areas in both state and Federal waters, including sanctuaries, seashores, reserves, preserves, refuges, underwater parks, and areas of special biological significance.

The current leasing restrictions have been in place without any perceptible impact on national energy security. Existing leasing restrictions leave more than three-quarters of the nation's undiscovered, economically recoverable offshore reserves open to exploration and development. These restrictions affect less than one-half of one percent of total world oil reserves. In fact, proven reserves in the California moratorium areas would only last the nation about 41 days at current rates of consumption.

I believe it is time to permanently institute Federal policy protecting environmentally sensitive coastal areas from the impacts of increased offshore oil development. My bills are a bipartisan effort to preserve one of the most economically viable and pristine natural resources the United States has to offer.

Thank you.

Mrs. CUBIN. The Subcommittee on Minerals and Energy—leave the record open for 2 weeks for any additional comments, and we are now adjourned.

[Whereupon, at 3:41 p.m., the Subcommittee adjourned subject to the call of the Chair.]

[Additional material submitted for the record follows.]

STATEMENT OF WILLIAM HOLMAN, ASSISTANT SECRETARY FOR ENVIRONMENTAL PROTECTION, NORTH CAROLINA DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Good Morning Chairman Cubin and Members of the Subcommittee. I am Bill Holman, Assistant Secretary for Environmental Protection of the North Carolina Department of Environment and Natural Resources.

On behalf of the State of North Carolina I want to thank you and Congressman Walter Jones for the opportunity to participate in this hearing and to comment on some of the Outer Continental Shelf issues which you are considering here today.

I am here to deliver two basic messages: First, it is critically important that states have a strong and clearly defined role in the management and stewardship of our offshore resources. Second, it is both essential and possible for the energy and mineral resources of the OCS be managed in a coordinated and progressive manner that maximizes benefits to both the nation's economy and the marine and coastal environment.

Mr. Jones asked that the State of North Carolina participate here today to convey our views on his legislation, the Outer Banks Protection Act, which would require the concurrence of the Governor of North Carolina as a condition for exploratory drilling off the Outer Banks. We appreciate the recognition that this bill embodies of the responsibility that states must have for safeguarding their marine and coastal environment. We are in fact gratified that by its very title as well as content, the bill makes a strong statement that the Governor's role is central in making decisions aimed at protecting the many resources represented by our Outer Banks.

As members of the Subcommittee know, the current process for state review of offshore energy exploration proposals is based on the states' coastal protection planning responsibilities under the Coastal Zone Management Act. Through a consistency review and determination by the state, the exploration plans are examined by the state for consistency with its approved coastal zone management plan. If the state finds the plan inconsistent, no permits can be issued unless the Secretary of Commerce overrides the state's determination that the project is inconsistent with its approved coastal zone plan.

We appreciate Mr. Jones' concern that this may not provide a sufficiently strong voice for states in reviewing drilling proposals. We are currently awaiting detailed proposals regarding proposed exploratory drilling on the OCS off the Outer Banks, in an area known as "The Point" for its geologic structure.

The Committee may be aware that The Point is also currently under consideration for designation as a "Habitat Area of Particular Concern" under the Essential Fish Habitat provisions of the Magnuson Stevens Fisheries Management Act. This area has become recognized as a unique mixing zone. Larvae of some 300 fish that are native to coastal waters, the Labrador Current and the Gulf Stream are found at The Point—all in one place.

I am told that this is far higher than might be found in a typical OCS area, and it again reinforces the importance of assuring that both economic and environmental values are fully evaluated in assessing any drilling proposal. This is new information that must be considered by both the state and the nation in making appropriate decisions on whether and how to proceed with the pursuit of energy resources in this part of the OCS.

It is part of the duty and responsibility of the State of North Carolina to assure that if such drilling is to occur that it will be done in a manner that is sensitive to and protective of this unique marine environment and our coast. We do not yet have firm word from MMS that they will in fact grant us the consistency review that we strongly feel is our right.

The reason is that in 1982, when much less was known about the environmental characteristics and significance of this area, the state made a determination that a previous, different exploration proposal was consistent with our coastal management plan. But that exploration proposal was never carried out. Unless MMS finds that the potential environmental impact of the new exploration plan is significantly greater than the prior proposal, and that new permits are required, then under MMS rules the state will not be granted a new consistency review.

The legislation proposed by Mr. Jones assures a state voice in a project proposal that is 16 years old, in the context of substantial new uses of the resources in the area by the state and its citizens.

We are working cooperatively with MMS, and I want to say to you and to them here today that we appreciate the collegial approach that they have taken up to this point in our discussions. However, we do feel that a firm commitment is needed to the concept of a strong state role in this decision process. We see Mr. Jones' bill as a constructive part of this ongoing dialogue.

Let me conclude by stating for the record that the State of North Carolina has in no way reached any predetermined decision on the proposed exploratory well off the Outer Banks. We are eager to have as much information as possible to reach a conclusion that will reflect and balance the many issues that are presented by the preliminary proposal we have seen with regard to such drilling.

We need a full proposal. We need as much information as can be gained on the particulars of the plan and the emerging importance of The Point as fisheries habitat. We need to carefully and vigilantly assess potential impacts on our famous Outer Banks and our coastal communities. We also need a continued recognition and commitment to the role of the state in this decision process.

Thank you again for having us here today. I will be pleased to respond to any questions you may have.

STATEMENT OF ESTUS WHITFIELD, ENVIRONMENTAL ADVISOR TO GOVERNOR LAWTON CHILES OF FLORIDA

Thank you for the opportunity to present testimony on behalf of Governor Chiles and the citizens of the State of Florida regarding outer continental shelf (OCS) oil and gas leasing and development. Our concerns about negative effects of offshore oil and gas development cannot be overstated. These concerns are expressed by a range of people—from our elected officials to scientists to citizens enjoying the white sands and clean waters of Florida's beaches. While there is no immediate threat of oil and gas activities in the South Atlantic and Straits of Florida Planning Areas off the east, south and southwest Florida coasts, the potential for damage to our coastal and marine resources from these activities in the Eastern Gulf of Mexico off the northwest Florida Panhandle remains high. Should future activities be proposed for the other areas off of Florida, the concerns addressed below would also apply.

With the support of Governor Chiles and the Florida Cabinet, our Congressional Delegation has been successful over the last several years in securing protection by implementing moratoria on additional leasing off the west Florida coast. The Department of the Interior, in its Outer Continental Shelf Oil and Gas Leasing Program: 1997-2002, continued the "leasing moratorium" by not proposing any new leasing within 100 miles of Florida in the Gulf of Mexico, or in the South Atlantic and Straits of Florida. However, approximately 150 active leases or 864,000 acres (1,350 square miles) remain in the eastern Gulf of Mexico and development and production has recently been proposed just 25 miles off the coast.

Florida's west coast provides an array of marine and coastal habitats from the offshore fishing grounds and bountiful estuaries, to the sandy white beaches and barrier islands, including the Gulf Islands National Seashore. The seagrasses, marshes and other coastal areas provide habitat for a variety of wildlife, including many threatened and endangered species. Offshore marine habitats are critical to many life stages of marine flora and fauna. Nearly 90 percent of the reef fish resources (primarily groupers and snappers) of the Gulf of Mexico are caught on the West Florida Shelf and contribute directly to Florida's economy. The environmental and economic importance of the area is reflected in the vast number of state and Federal holdings in designated environmental preservation, conservation, and recreation areas including over 50 such areas along a coastal area of about 175 miles in the Florida panhandle.

The economy of Florida's northwest coast, like the remainder of the state, is directly tied to our warm climate, clean waters and unspoiled natural resources. Recreation, tourism, retirement and commercial and recreational fishing are major economic activities of the area bringing in billions of dollars annually to state and local economies. Florida ranks second only to California in tourism expenditures. Visitors rank parks, preserves and natural areas as the second major attraction bringing them to Florida. The five western counties of the Florida panhandle brought in over $8 million from tourist development tax (bed tax) in 1996. Three cities in this area, Panama City, Pensacola and Fort Walton Beach, recorded over $1.5 billion in tourism and recreation taxable sales during the same period.

With a majority of the state's population living in and deriving income from jobs related to our rich and diverse marine and coastal resources, we remain very concerned about the vulnerability of our state to the potential impacts and changes that offshore oil and gas activities can bring. These coastal and marine resources are the foundation of Florida's economy and quality of life. In a healthy condition, these self-sustaining resources will continue to provide benefits to people who live in and visit Florida. Otherwise, the ecology and economy of the state is doomed.

With the potential for damage to Florida's resources and economy, we remain concerned about having oil and gas developed off our coasts. Oil spills remain the most

visible of these concerns, however, there are other detrimental environmental effects that these activities could have on the shallow, clean water marine communities found on the Florida outer continental shelf. Physical disturbances caused by anchoring, pipeline placement and rig construction, the resuspension of bottom sediments, and the chronic pollution from discharges of drilling effluents, production effluents, and possible accidental releases of oil or other toxic material can be very destructive, especially when considering long-term and cumulative effects. Notwithstanding the potential impacts of a catastrophic event, many scientists believe that the marine communities off west Florida are not well adapted to withstand the expected adverse impacts associated with large scale development and production.

Environmental studies and analyses, including comprehensive studies on the long-term and cumulative effects of these activities, are not yet complete. The Minerals Management Service's Northeastern Gulf of Mexico Physical Oceanographic Program and the Coastal and Marine Ecosystem Program are still ongoing. Some of the studies planned for these two programs are not likely to be completed before 2002. For example, the study entitled "Ecosystem Monitoring, Northeastern Gulf of Mexico OCS" is not scheduled to begin until fiscal year 1999 with completion in 2002. Objectives of this study include providing descriptive and process data which will be used to estimate the level of potential impacts of oil and gas activities. Results will serve as a basis for leasing decisions on the Florida panhandle OCS and as noted in the MMS studies plan, information from this study will be useful as soon as available to review planned and ongoing activities. In addition, the MMS is currently planning a joint ecological and physical oceanographic workshop for August 1998, which will help in identifying and designing additional environmental studies necessary for (1) contingency planning, (2) risk assessment, (3) the preparation of NEPA documents, and (4) review of development and production activities. Without completion of these studies, Florida has no assurances that OCS oil and gas activities can take place without causing irreparable harm to our ecological and economic resources. It is critical for Florida, as well as other coastal states, to have adequate information for and a pivotal role in decisions regarding oil and gas activities off their coasts.

Congressman Goss has introduced H.R. 180 to prohibit any additional leasing, exploration or development until adequate environmental studies and analyses can be identified and completed. While the Department of the Interior, Minerals Management Service has been working to rectify deficiencies in the Environmental Studies Program identified by the National Academy of Sciences and scientists from state and Federal agencies and academia, much remains to be done. Primarily because the environmental studies program funding remains low, progress has not been rapid. Therefore, it is premature to consider additional oil and gas activities, especially precedent setting development and production in previously undeveloped areas such as offshore the Florida panhandle, until adequate environmental studies can be completed. This legislation would allow the MMS to complete studies necessary to better understand the environmental risks associated with OCS decisions.

In addition, a delay in proceeding with any oil and gas activity off Florida would allow time to address an issue critical not only to Florida, but to the Nation as well. Currently a state's review of development and production plans pursuant to the Federal Coastal Zone Management Act (CZMA) must be completed prior to the reviewing state having all information necessary to adequately assess environmental impacts and determine consistency of the activity with the state's coastal management program. Specifically, a state's coastal zone management consistency review precedes review of environmental impact statements (EIS) which are developed to analyze primary, secondary and cumulative effects of proposed OCS development and production projects. States are not allowed to delay, beyond the predetermined timetable, a coastal zone management consistency decision. The two review processes are backwards.

Further, states are not allowed to review, for coastal zone management consistency, other significant activities associated with OCS development and production such as detailed information included in pipeline installation applications. This type of information is vital for states to adequately assess potential impacts. Delaying final consistency decisions until all analyses in an EIS and associated information are completed and reviewed would enable states to make more informed decisions. Florida continues to work with our Congressional delegation on legislation which would allow states the same opportunity for a full review of all relevant information, as the Minerals Management Service and other Federal agencies are allowed under current Federal regulations.

Chairman Cubin, thank you for the opportunity to provide comments during this oversight hearing on the outer continental shelf (OCS) oil and gas leasing and development issues.

STATEMENT OF HON. PORTER J. GOSS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Madame Chairman, I appreciate the opportunity to appear before you this afternoon. I commend the panel for taking up the issue of outer continental shelf oil and gas exploration moratoria—it is a vital one for Florida and many other coastal states. I would like to discuss this issue from Florida's perspective, and make the case for H.R. 180, a bill that I have again introduced as a proposed solution to the existing Florida OCS stalemate. I am particularly pleased that the Committee has invited Mr. Estus Whitfield, Environmental Advisor to the Governor of Florida, to testify about this proposal. I look forward to his testimony.

As you know, each year Congress enacts restrictions on oil and gas activities in the eastern Gulf of Mexico as part of the Interior Appropriations bill. Florida's OCS moratorium was instituted in 1983, by our colleague, Rep. Bill Young, and it accomplished its goal as a short-term fix to protect the Florida coastline from a possible expansion of oil and gas exploration. I would note that this moratorium has enjoyed unanimous support from Florida's Congressional delegation. However, it was never intended to be a long term solution and I believe it fails to satisfy the interests of both parties to this debate: Florida is only protected against *new* oil and gas leases, while the oil industry is left holding several existing leases but without the ability to make any long-term exploration and development plans in the Eastern Gulf. I think that, fifteen years later, everyone realizes we need to find a better way to do business.

Floridians oppose offshore oil drilling because of the threat it presents to the state's greatest natural and economic resources: our coastal environment. Florida's beaches, fisheries, and wildlife draw millions of tourists each year from all over the globe, supporting our state's largest industry. Tourism supports, directly or indirectly, millions of jobs all across Florida, and the industry generates billions of dollars every year. A 1990 study by Lee County estimates that a major blowout/oil spill could cost the economy of *Lee County alone* some $590 million in lost revenue. This translates into a loss of 12,300 jobs. Also, the on-shore facilities required to process the oil would likely change the character of the Florida coast, possibly contribute to the pollution of the environment, and pose serious problems for Florida's tourism and real estate industries.

Concern about this issue is not limited to our business community—there are several grass-roots groups who are dedicated to preserving and protecting our coastline. There is a petition and letter writing campaign in my district run by Marge and David Ward of the Citizens Association of Bonita Beach. The Wards' tireless efforts have yielded over 28,479 signatures opposed to drilling off Florida's coast, and they have generated letters of support from local chambers of commerce, government, and elected officials.

The Florida coastline boasts some of the richest estuarine areas in the world. These bracken waters, with their mangrove forests and seagrass beds provide an irreplaceable link in the life of many species, both marine and terrestrial. Florida's commercial fishing industry relies on these estuaries because they support the nurseries for most commercially harvested fish. Perhaps the most environmentally delicate regions in the Gulf, estuaries could be damaged beyond repair by a relatively small oil spill.

H.R. 180 was developed after extensive consultation with the state of Florida and enjoys the Governor's support, as well as a wide range of support among both the public and private sector in the state. I am particularly pleased to report that every member of the Florida Congressional delegation has cosponsored H.R. 180.

This legislation was introduced to provide for a "time out" period during which no new leasing or drilling could take place in Federal waters off Florida's coast. During this period, a joint Federal-state task force would review the available scientific and environmental studies and (if necessary) recommend further ones. Once the joint task force determines that an adequate base of data exists, it would recommend what areas (if any) off Florida could safely sustain oil and gas exploration and production.

The benefits of this approach include:

- the opportunity to develop a more precise policy than afforded under the current moratorium, which must be renewed by Congress each year. This should provide the oil industry with greater certainty and an ability to plan in the context of a long-term strategy; and
- a central role for the State of Florida in a decision with great impact on our state—even though that decision would apply to waters under the jurisdiction of the Federal Government; and
- a decision that accurately reflects scientific rather than political pressures.

I recognize that some concerns have been raised about this proposal and I would like to take a moment to discuss some of those issues. First, the question I hear most often is why do we need to pass this legislation, when it is very likely Congress will continue to enact the annual moratorium, as it has for fifteen years. As I mentioned earlier, I believe the moratorium provides a short-term way to deal with this issue, but, in the long-run, it shortchanges both the State of Florida and the oil industry. I believe both parties would benefit from a scientifically crafted long-term approach to management of the Eastern Gulf. In addition, from a process perspective, I would prefer not to address substantive legislative issues through "riders" to an appropriations bill.

In addition, I have also heard concerns about the effect of H.R. 180 on revenues for the Land and Water Conservation Fund (LWCF), the principal source of Federal funds for land acquisitions by the National Park Service, the Bureau of Land Management, the U.S. Fish and Wildlife Service and the U.S. Forest Service. The LWCF is funded by revenues from Federal outdoor recreation user fees, the Federal motorboat fuel tax, property sales and from oil and gases leases on the Outer Continental Shelf. As the Subcommittee is well aware, OCS revenues have accounted for more than 90 percent of the deposits in the LWCF, and, in some years, almost all deposits to this fund. I agree that the effect of H.R. 180 on revenues for LWCF is a critically important question, particularly given Federal land acquisition in Florida. Since the current moratorium prohibits any new leases, it effectively forecloses the possibility of future contributions to the fund from OCS activities in the Eastern Gulf of Mexico. If we continue our current approach—adopting the moratorium each year—that won't change. The joint-task force created by H.R. 180 would be charged with making a scientific decision on OCS activities in the Eastern Gulf and their recommendations would effectively address the LWCF issue.

Finally, I have heard concerns about the make-up of the joint task force provided for in H.R. 180. As drafted, the bill would create a task force consisting of one representative each from the Environmental Protection Agency, the Minerals Management Service, the National Oceanic and Atmospheric Administration, and the U.S. Fish and Wildlife Service; four representatives from the State of Florida appointed by the Governor; and three members appointed by the Secretary of Commerce based on nominations from the National Academy of Sciences who are professional scientists in the field of physical oceanography, marine ecology, and social science. Clearly, the intent is to provide a scientific panel while allowing input from the State of Florida. If the Subcommittee wants to reconsider this makeup, I would be happy to discuss that issue further.

Finally, let me thank the Subcommittee for its indulgence in holding this hearing. I look forward to working with you on moving this proposal forward.

Thank you again.

STATEMENT OF CYNTHIA L. QUARTERMAN, DIRECTOR, MINERALS MANAGEMENT SERVICE, DEPARTMENT OF THE INTERIOR

Madam Chairwoman and Members of the Subcommittee, thank you for the opportunity to testify on the Department of the Interior's Outer Continental Shelf (OCS) oil and gas program and the issue of moratoria. As you may recall, I appeared before your Subcommittee almost two years ago and presented testimony on the same issue. My testimony at that time briefly cited the economic and environmental benefits of the OCS program; described in some detail the history of Federal offshore oil and gas activity and the associated conflicts and controversies that led to moratoria; and outlined the Department's approach to managing the program and resolving some of the problems we inherited. I also related to the Subcommittee a number of difficult issues we were confronting and gave several examples that demonstrated varying degrees of success for our efforts.

Today, I would like to take the opportunity to describe further the Department's approach to moving the OCS program from conflict to consensus—including the role of OCS moratoria in that approach—and to update you on the progress of some of our efforts. However, as a preface to those remarks, I would first like to briefly note the significant benefits associated with the OCS program.

First, the OCS program is a major source of energy for the Nation, currently providing about 18 percent of our total domestic production of oil and 27 percent of our production of natural gas. Hand in hand with this much needed energy production, the program generates substantial national and regional economic benefits. Those benefits come in the form of bonus, rent, and royalty payments to the Federal Treasury (almost $5 billion in 1997 and over $120 billion to date)—a portion of which is distributed to coastal States under section 8(g) of the OCS Lands Act—as well as

income and taxes generated by petroleum companies and a host of manufacturers and other firms located throughout the country. Furthermore, OCS revenues are the major funding source for both the Land and Water Conservation Fund (LWCF) and the Historic Presentation Fund (HPF)—programs that benefit all Americans. To date, over $18.8 billion and $2.6 billion have gone into the LWCF and HPF, respectively. Finally, the OCS program has an excellent safety and environmental record.

These benefits notwithstanding, the OCS program and the way it was managed in the past led to conflict, controversy, and—ultimately—moratoria that have been in effect for many years for certain areas of our Nation's OCS. I do not plan to detail the history of moratoria as I did in my previous testimony. That history is well documented in two reports produced by Committees of the Minerals Management Advisory Board—*Moving Beyond Conflict to Consensus* (OCS Policy Committee—April 1993) and *Environmental Studies in OCS Areas Under Moratoria: Findings and Recommendations* (OCS Scientific Committee—May 1997). The former had a significant influence on the Department's development of its management approach, and the latter was a project I mentioned in my previous testimony that had not yet been completed. The OCS Scientific Committee has now completed its report, and I would like to submit it for the Subcommittee's consideration.

THE DEPARTMENT OF INTERIOR'S APPROACH TO THE OCS PROGRAM

When this Administration assumed management of the OCS program in 1993, there were substantial problems facing the program—congressional moratoria were in effect for both the Atlantic and Pacific coasts, the Eastern Gulf of Mexico, and the North Aleutian Basin off Alaska; there were lease sales scheduled in the Atlantic and Eastern Gulf of Mexico areas under leasing moratoria; there were drilling restrictions on previously issued leases in the southeastern part of the Eastern Gulf of Mexico, in the North Aleutian Basin, and off North Carolina; and there was breach-of-contract/takings litigation that had been filed by the companies holding those leases. In addition, there were existing leases in the areas subject to leasing moratoria off the Florida Panhandle and off California that demanded our attention, and there were proposed lease sales off Alaska that were generating controversy. For this hearing, I would like to explain the Department's general approach to managing the OCS program and dealing with these issues. In doing so, I will cite some specific examples of where we have been able to resolve or reduce conflicts and controversies.

Resolving Existing Controversies to Set the Stage for Consensus Building

First, the Department recognized that conflict resolution would have to be a high priority and that the best way to proceed would be to consult with, and listen very carefully to, the OCS program's stakeholders. We endorsed the existing annual congressional moratoria as a way to assure stakeholders that the *status quo* would be maintained while discussions ensued. We felt that it was extremely important to ensure that no new leasing occur in areas where we were attempting to resolve intense disputes concerning already existing leases as well as some controversial areas where leasing was contemplated. The annual moratoria that were in effect proved to be a very useful tool that we believe helped us:

- settle litigation concerning the leases in the North Aleutian Basin and in the southeastern part of the Eastern Gulf of Mexico, which resulted in their relinquishment;
- settle litigation on the majority of leases off North Carolina, resulting in their expiration or relinquishment, while preserving the promising "Manteo Unit" for possible exploration;
- cancel proposed lease sales in the Atlantic and in the Eastern Gulf off Florida that were precluded by moratoria, thereby allowing us and the stakeholders to concentrate on resolving issues related to potential exploration and development of remaining leases; and
- focus efforts off California on discussing the possible development of some 40 existing leases without the distractions that proposals for new leasing would engender.

In short, annual moratoria and the actions we were able to take with them in place, helped us to begin building trust with our stakeholders and make strides in putting the OCS program on firmer footing in those controversial areas. At the same time, we took under careful consideration the sales off Alaska that had been proposed in the OCS 5-Year Oil and Gas Program for 1992-1997 that had been approved by the previous Administration. After consulting with stakeholders, we made the decision to:

- cancel sales in the Chukchi Sea, Hope Basin, Gulf of Alaska, and St. George Basin Planning Areas based on a combination of low industry interest and some

concerns for other resources that were expressed by Native groups and others; and

• proceed carefully and deliberately in the presale processes for Beaufort Sea Sale 144 and Cook Inlet Sale 149, which resulted in successfully conducting those two sales after a 5 year hiatus in Alaska OCS leasing.

Our decisions to cancel three proposed Alaska sales—as well as cancellation of the Atlantic and Eastern Gulf of Mexico sales—were made with the view that this Administration would soon have the opportunity to formulate its own OCS 5-year program and could consult further with stakeholders to reach consensus on any future sale proposals for those areas and others.

Developing the OCS 5-Year Oil and Gas Program for 1997-2002 by Consensus

The Department developed the current OCS 5-Year Oil and Gas Program (1997-2002) based on the substantive and procedural requirements of section 18 of the OCS Lands Act and three general guiding principles endorsed by the Secretary: (1) consensus-based decisionmaking; (2) science-based decisionmaking; and (3) the use of natural gas as an environmentally preferred fuel. We consulted with and listened to our stakeholders from start to finish of the 2-year preparation process. At this time, I would like to highlight some of our experiences in that process and give you a summary of the program we produced, as well as accounts of other related issues in each region.

Pacific OCS Region

Our attention in this region focused on the Santa Barbara Channel and Santa Maria Basin, where there were both existing producing leases and existing undeveloped leases. We consulted closely with the three counties located adjacent to those areas (through a body known as the Tri-County Forum) as we considered proposing a small, focused lease sale after 2000. Although it appeared initially that two of the counties did not oppose such a sale, we consulted further with them and other stakeholders, including the State of California. We concluded from those consultations that scheduling a Pacific sale in the 1997-2002 timeframe was unwarranted. In retrospect, I believe the absence of a scheduled lease sale in this area has enabled us to work undistracted with stakeholders to resolve issues concerning existing producing leases. As a result, production from those leases has been increased significantly—to about 150,000 barrels per day.

We are continuing to work closely with the Tri-County Forum and other stakeholders in the "California Offshore Oil and Gas Energy Resource Study." The study is intended to frame better the issues and potential impacts associated with additional development, thus contributing a good scientific foundation to continuing discussions with our stakeholders.

Atlantic Region

In this region, we looked at the vicinity of the "Manteo Unit" off North Carolina and the Hudson Canyon area off New Jersey as possible candidates for lease sales. We decided not to propose a sale off North Carolina due to ongoing litigation and controversy concerning the existing leases there. We also decided, after consulting with state and local officials and other stakeholders, that scheduling a sale in the Hudson Canyon area would be premature and that we would need more time for outreach and conflict resolution. Again, I believe that our decision not to schedule a lease sale off North Carolina enabled us to focus on working toward an appropriate and acceptable resolution concerning existing leases. We have been consulting with state officials, and our Gulf of Mexico Regional Office held a North Carolina Offshore Workshop in Raleigh in February 1998 to discuss environmental issues associated with possible exploration of the "Manteo Unit." There is still much work to be done, but discussions so far have been fruitful.

Technological advances, especially those associated with deepwater operations in the Gulf of Mexico, may be applicable to the Atlantic, where most of the more promising hydrocarbon prospects are farther from shore and in the deeper waters. We also have been monitoring closely developments affecting the Canadian waters of the Atlantic. Canada is poised to reconsider its Georges Bank moratorium which is due to expire on January 1, 2000. Based on the success of existing Canadian OCS production projects off Nova Scotia and Newfoundland and their demonstrated compatibility with fishing and other uses of the sea, Canada may not renew the ban and may allow oil and has leasing/development to proceed in its waters. If so, the Department will consider carefully any ramifications such a decision may have with respect to managing the resources on our side of Georges Bank. In addition, MMS has received an application for a pipeline right-of-way and related permits for a segment of a pipeline that is planned to transport natural gas from reserves off the coast of Newfoundland to a landfall on the coast of New Hampshire.

Alaska OCS Region

As I mentioned before, the Administration canceled Alaska sales in four areas that were on the schedule for 1992-1997 with an eye toward revisiting the areas when we developed our own OCS 5-year program. In order to facilitate stakeholder participation in the consideration of those and other Alaska planning areas, we established the Alaska Regional Stakeholders Task Force, as recommended by the OCS Policy Committee. Based on the findings and recommendations of that task force, the new program proposes consideration of leasing in three of the areas that had been deferred previously—Gulf of Alaska, Chukchi Sea, and Hope Basin—as well as in Cook Inlet and the Beaufort Sea.

We have continued to consult with the Alaska OCS Region Offshore Advisory Committee, which was established as a successor to the Stakeholders Task Force, on individual Alaska sales included in the current OCS 5-Year Oil and Gas Program. Presently, we are proceeding toward consideration of an August 1998 sale date for Beaufort Sea Sale 170. We also are continuing our consultations with Alaska Native organizations, the State of Alaska, and other stakeholders concerning several Beaufort Sea development projects. Those projects and the planned lease sales point to a vibrant future for the OCS program in that area.

Gulf of Mexico OCS Region

Based on the strong consensus of stakeholders supporting the OCS program in the Central and Western Gulf of Mexico planning areas, we decided to continue the practice of holding annual areawide lease sales in those areas during the 1997-2002 period. We are continuing to consult with the States and other stakeholders in those areas, and the program is thriving, as evidenced by the most recent lease sale results and numerous recent discoveries.

After consulting with the Governors of Florida and Alabama, our focus in the Eastern Gulf of Mexico turned to that part of the planning area located off Alabama and more than 100 miles off Florida, which both governors indicated would be acceptable for an OCS lease sale in 2001. As consultation with stakeholders continued, we learned that industry wanted access to more deepwater blocks in that area and that coastal residents of Alabama had concerns about possible negative visual impacts of nearshore oil and gas development. The final configuration of the lease sale area that we established accommodated both industry and State concerns—384 blocks in deep water were added, and 22 blocks within 15 miles of the Alabama coast were excluded. I think this solution exemplifies our approach to the OCS program, since it is based on consensus and science and promises to make environmentally preferable natural gas resources available to the Nation. I am extremely proud that we were able to come up with a reasonable and acceptable proposal for leasing in an area of the OCS that had been subject to congressional leasing moratoria since 1990. I firmly believe that we could not have consulted meaningfully and gained the acceptance of a consensus of the stakeholders if we had decided to pursue additional nearshore leasing off the Florida Panhandle or if the annual leasing moratorium in that area had been lifted during the process.

Currently, we are continuing to attempt to resolve conflicts concerning the existing Florida Panhandle leases. Again, as in other areas, the absence of a controversial proposal for additional leasing off the Florida Panhandle has enabled us to concentrate on analysis and consultation related to the development and production plan filed by Chevron USA for its natural gas discovery in the Destin Dome Block 56 Unit. We have begun the process of preparing an environmental impact statement (EIS) for the project and have held five public scoping meetings. We plan to issue a draft EIS in November of this year and hold public hearings on it in January 1999. Just recently, the State of Florida officially objected to Chevron's certification that the development and production plan is consistent with Florida's federally approved coastal zone management program, and Chevron has filed a formal appeal with the Department of Commerce.

Results of Consensus Building—The OCS 5-Year Oil and Gas Program and Congressional Moratoria Are Now Consistent

After the OCS 5-Year Oil and Gas Program for 1997-2002 was approved by the Secretary, the Department proposed amendments to the Fiscal Year (FY) 1998 budget that were designed to conform the annual congressional moratoria provisions to the new leasing program. The amended language proposed to delete drilling restrictions in both the North Aleutian Basin and in the Eastern Gulf of Mexico south of 26 degrees North Latitude since these restrictions were no longer necessary. More importantly, the proposed language also reconfigured the existing Eastern Gulf of Mexico leasing moratorium so that it would not apply to the area proposed for possible lease in 2001 in the current OCS 5-Year Oil and Gas Program. Congress ac-

cepted the proposed language. Therefore, the current OCS 5-Year Program and the annual moratoria provisions are now consistent, *i.e.*; all areas included in the congressional restrictions are excluded from leasing consideration. Thus, for the first time since OCS moratoria were enacted in the early 1980's, we have a OCS 5-year program that does not propose leasing anywhere that opposition and controversy led to those restrictions. As part of its FY 1999 budget request, the Department has again proposed to carry forward the language enacted in FY 1998.

LOOKING TO THE FUTURE

It is possible that changing international conditions or evolving domestic conditions and attitudes eventually could result in future consideration of leasing in areas currently under moratoria. However, as experience has shown us, any such consideration should be based firmly on science and consensus or we will likely repeat the mistakes of the past. As I have stated previously, our support of moratoria and our focus on resolving issues related to existing leases before conducting more leasing in certain areas has been designed to build public trust and set the stage for a rational and civil discussion of possible future courses of action.

We also realize that prior to considering leasing in areas under moratoria, as part of this effort we must first identify scientific information needs, and that is why we requested a joint subcommittee of the OCS Policy and Scientific Committees to conduct a review of such needs and report to the Secretary. The report was finalized in May 1997, and its recommendations were unanimously approved by the group (which represents a wide range of stakeholders). In addition to providing an excellent account of the OCS program's history that I mentioned earlier, their report presents a great deal of information that is useful for future planning.

One important point that can be gleaned from the Policy/Scientific Committee report is that times—and more importantly, *technology*—have changed dramatically since OCS moratoria first were enacted. Tremendous advances have resulted in:

- cleaner and less toxic drilling fluids and associated discharges;
- cleaner and less intrusive offshore structures, including *zero discharge* rigs;
- safer and more efficient drilling and monitoring systems, including *Measure While Drilling* and *Logging While Drilling,* and faster blowout preventers;
- better seismic data gathering and interpretation techniques that lead to fewer wells being drilled than in the past,
- better oceanographic and meteorological forecasting and earlier response;
- cleaner and less toxic produced water;
- smaller and fewer platforms;
- better and faster communications equipment;
- better and faster oil spill response and cleanup; and
- safer and more efficient pipelines and pipeline burial techniques.

SUMMARY AND CONCLUSION

In summary, I believe we have made significant strides in building public consensus concerning the OCS program in the past several years. As I have stated previously, we have found moratoria to be a useful tool that enabled us to address and resolve specific difficult conflicts that we inherited with the OCS program as well as develop a OCS 5-Year Program that is consensus based. As a result, moratoria language in the Department's FY 1998 Appropriations Act and areas considered for possible lease in the Department's OCS 5-Year Oil and Gas Program for 1997-2002 are now consistent.

Madam Chairwoman, this concludes my prepared remarks. However, I will be pleased to answer any questions Members of the Subcommittee may have.

STATEMENT OF HON. OWEN B. PICKETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Thank you for the opportunity to offer remarks before this Committee today regarding the Minerals Management Service (MMS) policy of assessing a tax against state and local governments for the use of Outer Continental Shelf (OCS) sand and gravel. During the 103rd Congress, Public Law 103–426 was enacted that removed procedural obstacles and allowed government agencies to negotiate and obtain OCS sand and gravel. This law specifically exempted the Federal Government from being assessed a tax for OCS sand, gravel, and shell resources. In October 1997, MMS formalized its guidelines regarding the tax for OCS sand, gravel, and shell resources when used in shore protection and beach restoration projects by state and local governments. In this new policy, MMS decided to assess state and local governments

a tax for OCS sand and gravel used in shore protection projects, even in those cases where the projects are authorized by Federal law.

Although the costs involved for OCS sand and gravel may not be significant when compared to the overall cost of a shore protection or beach restoration project, they are significant and will make such projects more costly and less attractive when undertaken by state and local governments. Even worse, a local government in my Congressional District recently paid MMS over $200,000 for 1.1 million cubic yards of OCS sand for a federally authorized project that had already been planned, approved, and funded. Due to this increase in the project cost for the fee to MMS, the only option for the local government was to reduce, by 400,000 cubic yards, the quantity of 1.5 million cubic yards of sand required by the engineers in the original plans and specifications for this project. This project will now have a shorter useful life and will require the local government to replace the project earlier than planned at a much higher cost.

As the Administration seeks to change the nation's shore for OCS sand and gravel will continue to rise dramatically unless this ill-advised tax law is changed. Historically, the Federal Government has entered into 65/35 costshare agreements with local governments for federally authorized shore protection projects. A recent proposal by the Administration, if adopted, will reverse this cost share ratio upon completion of the initial construction with the local sponsor paying almost double the share of the project maintenance. The typical MMS tax to the local government sponsor will double for OCS sand and gravel. This excessive and inequitable tax will become a serious and insurmountable burden for struggling local governments. It is clearly another unfunded mandate on state and local government, and it should be eliminated here and now.

I strongly urge the Committee to adopt the amendment, restore equity among Federal, state, and local governments and eliminate this unfair tax.