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THE MINERALS MANAGEMENT SERVICE'S PROPOSED FIVE-YEAR PROGRAM FOR OIL AND GAS LEASING ON THE OUTER CONTINENTAL SHELF

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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CONTENTS

	Page
Hearing held on Thursday, June 28, 2007	1
Statement of Members:	
Costa, Hon. Jim, a Representative in Congress from the State of California	1
Pearce, Hon. Stevan, a Representative in Congress from the State of New Mexico	4
Statement of Witnesses:	
Cruickshank, Walter D., Acting Director, Minerals Management Service, U.S. Department of the Interior	12
Prepared statement of	14
Response to questions submitted for the record	90
Drake, Hon. Thelma, a Representative in Congress from the State of Virginia	9
Prepared statement of	10
Juettner, Bob, Borough Administrator, Aleutians East Borough, Alaska	44
Prepared statement of	45
Moran, Hon. James P. a Representative in Congress from the State of Virginia	29
Prepared statement of	31
Pollard, Hon. Albert C., Former Member, Virginia House of Delegates, Mollusk, Virginia	38
Prepared statement of	40
Sheard, Whit, Alaska Program Director, Pacific Environment, Anchorage, Alaska	48
Prepared statement of	50
Response to questions submitted for the record	100
Thompson, Hon. Mike, a Representative in Congress from the State of California	6
Prepared statement of	8
Wagner, Hon. Frank, Virginia State Senator, Virginia Beach, Virginia	33
Prepared statement of	35
Response to questions submitted for the record	36
Additional materials supplied:	
Alaska Independent Fishermen's Marketing Association, Letter submitted for the record	58
Alaska Marine Conservation Council, Letter submitted for the record	59
Open letter to President George W. Bush submitted for the record by the Alaska Independent Fishermen's Marketing Association, Alaska Center for the Environment, Alaska Longline Fishermen's Association, et al.	62
"Alaskans Urge Congress to Support HR 1957 and S 1311 - the Bristol Bay Protection Act"	63
"Ten Reasons to Protect Alaska's Bristol Bay" from Offshore Oil and Gas Drilling	65
"Economic Value of Bristol Bay and Southeastern Bering Sea Fisheries"	66
Maps and charts	67
Bristol Bay Native Association, Bering Sea Fishermen's Association, Bristol Bay Economic Development Corporation, et al., Letter submitted for the record	84
Gemmill, Faith, Resisting Environmental Destruction on Indigenous Lands (REDOIL), Statement submitted for the record	75
Odum, Marvin, Executive Vice President, EP Americas, Shell Energy Resources Company, Statement submitted for the record	
Schaefer, Jack, Vice President, Native Village of Point Hope, Letter and Resolution submitted for the record	87

OVERSIGHT HEARING ON "THE MINERALS MANAGEMENT SERVICE'S PROPOSED FIVE-YEAR PROGRAM FOR OIL AND GAS LEASING ON THE OUTER CONTINENTAL SHELF."

Thursday, June 28, 2007
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:07 a.m. in Room 1324, Longworth House Office Building, Hon. Jim Costa [Chairman of the Subcommittee] presiding.

Present: Representatives Costa, Pearce, Holt, Kennedy, Jindal, and Gohmert.

STATEMENT OF THE HONORABLE JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. COSTA. The Subcommittee of Energy and Mineral Resources will now come to order.

The Subcommittee is meeting today to hear the testimony on the Minerals Management Service's proposed five-year plan for oil and gas leasing.

Preliminary ground rules, as we always do before the beginning of every meeting, under Rule 4[g], the Chairman and the Ranking Member may make opening statements, which I suspect we will. They may be included in the record under unanimous consent, and we do that on a pro forma basis.

Additionally, under Committee Rule 4[h], any additional material for the record should be submitted by Members or witnesses within 10 days after the hearing. That includes our distinguished colleagues who are going to testify before our first panel. And we would appreciate the witnesses' cooperation, as I say, at every hearing by responding to any questions submitted in writing, and obviously we like to try to expedite that to the degree that that is possible. It works out better that way.

We hopefully will be able to have the opportunity to get through our panels this morning at a reasonable time. And we always provide the courtesy for Members to testify. And we are very honored to have two of our distinguished colleagues here this morning who have asked to testify before the Subcommittee.

Let me first begin with my opening statement. The Subcommittee, as we know, meets to review the Minerals Management Service's 2007 to 2012 plan for leasing oil and gas in the Outer Continental Shelf. Obviously, this has been a very important and sometimes hotly debated issue throughout our country in recent years.

We all know that the Outer Continental Shelf consists of submerged lands beyond coastal states' waters, beginning roughly three nautical miles from our shores, to 200 miles off our coasts throughout the country.

Therefore, the Outer Continental Shelf is an important resource to America and Americans' interests from a standpoint of marine fisheries, as well as from a standpoint of domestic supplies of oil and natural gas.

In 2004, the Outer Continental Shelf provided 29 percent of domestically produced oil, and over 20 percent of domestically produced natural gas. Therefore, an important resource. Some of that production is occurring off the coast of California. And I can tell you from, I have been a Member and a representative, and we have one of my colleagues here today, that it has been an issue that has been debated at great length over the last three decades.

Nonetheless, we still have 44 platforms off the California coast, and some people don't realize that they exist. As a matter of fact, as a part of the five-year plan, the California Outer Continental Shelf provided 30 million barrels of oil and 60 billion cubic feet of natural gas each year. That is significant, although compared to the Gulf of Mexico, it is a smaller number.

Environmental record of oil and gas production off the coast, I think, of California and other parts of the country has improved in recent decades. Since 1970, there have been only four significant spills, totaling 350 barrels. There have been no reported major spills in the last 10 years.

We know that during the Hurricane Katrina incidences, notwithstanding the fact that many of those platforms were closed, it was done in a safe and responsible way. It demonstrates that if you plan properly and you meet the environmental requirements, that it can be done with little impact to the environment. But yet, the controversy still continues.

From 2007 to 2012, the five-year Outer Continental Shelf Leasing Program could provide access to up to 50 million new acres of Outer Continental Shelf—while being appropriately cautious in those regions because there are environmental concerns. It is, I think, very important to note, in my opinion, and I think many others, that very little vision has been established in the Minerals Management document outlining their plans for the 2007 to 2012 development. And I think we will have a lot of discussion about that this morning because in every part of those areas, there are environmental concerns.

So I think it is important that when we talk about that in comparison to the 1.7 billion acres—1.7 billion acres, imagine that. They are considering 50 million in the next five years, but there is 1.7 billion acres that is under the jurisdiction of the Minerals Management Service.

So therefore, the 2007-2012 plan in essence only examines 1.2 percent of the entire Atlantic Seaboard, and four of the 15 planning areas off the coast of Alaska. We have to do better than that, I think.

Section 18 of the Outer Continental Shelf Lands Act states very clearly that the purpose of these five-year plans is to help meet the national energy needs. If a plan fails in many respects to provide a full analysis of the oil and gas resources in the Outer Continental Shelf, which is critical if we are going to talk about balancing our energy needs as we look toward addressing new opportunities for renewable resources, as well as for cellulosic fuels and conservation, as we balance our nation's energy portfolio, which is the struggle that we have been dealing with really for several decades now in America, as we try to look at the long term, and yet reducing our dependency on foreign sources of energy, the Minerals Management Service and the opponents to drilling on the Outer Continental Shelf will argue in different ways that it is impossible or unnecessary to fully assess the oil and gas resources of the Outer Continental Shelf because the Outer Continental Shelf is closed to leasing under Congressional or Presidential moratorium.

Many friends and colleagues of mine from across the country, including a gentleman I have great respect for, Congressman Thompson, believe that we should place some areas permanently off limits. The fact is that we need to examine all of these cases. But unless we have the necessary data to make informed decisions, we in the Minerals Management Service, I think, are falling short of our responsibilities.

As Chairman of this subcommittee, I intend to try to do everything possible, working on a bipartisan basis, to try to get that information made available, and to do the appropriate due diligence. Simply put, ladies and gentlemen, we do not know the extent nor the value of the oil and gas resources out in America's Outer Continental Shelf. We believe it is significant, but we don't know enough about the extent of its value.

Opponents to the Outer Continental Shelf drilling argue that we have heard this week—there was a debate on the House Floor—that 80 percent of the oil and gas on the Outer Continental Shelf is already accessible to drilling. That is according to the Minerals Management Service.

I believe that statistic is accurate, but it is based on very old data. The Minerals Management Service has not done any estimates outside the Gulf of Mexico in decades. Without adequate and current information on Outer Continental Shelf oil and gas resources, therefore it is difficult, frankly, to make informed judgments about the risks, as well as about the benefits associated with developing these areas. And we know there are benefits, and we know there are risks.

The Minerals Management Service, I think, needs to begin undertaking this task. And I hope it will be the Subcommittee's direction to work with the Minerals Management Service to undertake this task in a thoughtful and reflective way.

In this plan, the Minerals Management Service, for example, studied the area off the coast of Virginia. And we have a colleague of ours here who I suspect will give us her thoughts:

Congresswoman Drake. It is still under moratorium. It can't be leased until the moratorium is lifted. Yet we have other areas that are not under moratorium.

The same could be said for every part of the Outer Continental Shelf, whether we are leasing under moratorium or not. And therefore, I think there needs to be some development of priorities.

Too much of the debate on both sides I believe have been focused on ambiguity, assumptions, and vigorously debated arguments. Ambiguity because we are basing important energy policy decisions on outdated information. Assumptions that something terrible will happen if we find out what the information is. And I think a false argument that we could issue leases for natural gas drilling only. And my good friend from Hawaii and I disagree on that point, Congressman Abercrombie. But I think the industry experts acknowledge that you can't provide natural-gas-only leases. It is just not realistic when you are drilling.

Obviously we are not going to resolve those issues on that debate this morning. This will continue year after year. But I think if this subcommittee makes a significant effort, and we begin today working with Minerals Management Service, we can have a more robust level of discussion with more accurate up-to-date information. And certainly the best information allows us to make better decisions.

So the plan that is being developed between 2007 and 2012 doesn't provide, I believe, the new information that I think we need to have. But we need to ask for that information, and we need to work with them.

So I ask the witnesses to focus on your assessment of that plan. We are going to be looking to hear your thoughts on how we can do better. And certainly we are very interested in hearing from our first two witnesses who are our colleagues, who represent both coasts of this great nation: the Eastern Seaboard, parts of it, and the West Coast, both tremendous resources to America.

So before we begin with our colleagues, I will defer to the Ranking Member for an opening statement.

STATEMENT OF THE HON. STEVAN PEARCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Mr. PEARCE. Thank you, Mr. Chairman. I want to thank you for holding this hearing. I know that our schedule has been intense the last few weeks, and everyone is busy, including yourself. And so the fact that you can work this hearing into our schedule is significant, indeed.

I think it is important to talk about the Minerals Management Service's five-year plan. It is an important topic. It is a source of great revenue for the United States, but also it is a source of great energy, and we should be talking about what we are doing. So thank you very much.

I also appreciate the process. This hearing was pretty well set up; witnesses and the topics were set up in a bipartisan fashion. It is a testament to your leadership and statesmanship, and it is a pleasure to serve with you on the committee.

I would like to welcome our witnesses, Mr. Thompson and Mr. Moran, and especially Congresswoman Drake. She used to be a member of the committee before she moved up, or on, or sideways,

or wherever she moved. But she used to be here slugging it out on this committee with us, and still continues to be a strong and graceful advocate for your constituents and energy development in Virginia's Outer Continental Shelf. It is wonderful to have you back in this committee room again.

I would also like to welcome Walter Cruickshank. He is here in the audience today; he is newly Acting Director of MMS. His knowledge of the Minerals Management Service, his administration of the OCS Oil and Gas Leasing Program is deep, and his service is appreciated. I have confidence that he will be a great steward of our offshore leasing program.

Mr. Cruickshank is going to have to fill fairly large shoes, in my opinion. His predecessor, Ms. Johnnie Burton, was the longest-serving Director of MMS in history. She retired from government service last month. She is highly regarded by many of us, and we wish her well. And we wish you well in trying to fill those shoes, Mr. Cruickshank.

Last, I would like to welcome the two witnesses from Alaska who have traveled great distances to be with us today. Onshore, Alaska is the second-ranked oil-producing state; however, its Outer Continental Shelf remains untested, and a new frontier.

I especially welcome Bob Juettner, who represents the area of Alaska adjacent to one of the newest prospects for energy development in Alaska, the North Aleutian Basin. Fishing has been the primary economic activity of the Bristol Bay Region. Bristol Bay's fisheries are spectacular by any measure, and should not be minimized. This is an area where the local people want to determine, through their process, whether both energy development and current commercial fishing can take place in harmony, and I welcome to that task.

The Gulf of Mexico is a wonderful example of where fishing and commercial oil production has worked well together. In the Continental U.S., 34 percent of our nation's seafood comes from the Gulf of Mexico. At the same time, the Gulf of Mexico is the source of 20 percent of our nation's domestic natural gas, and 30 percent of our nation's oil. So the harmony between the industries has worked well in that region. And we can assume that those who say that it is not possible for the two to work together is simply a myth, proposed by those who want to exclude one activity or the other.

However, I believe that local people should have the most to say, and so I look forward to Mr. Juettner's testimony.

We are all here today to talk about the importance of the Outer Continental Shelf Leasing Program. One of the few silver linings that we experienced during Hurricanes Katrina and Rita was the incredible environmental safety record that we experienced. Not one drop of oil spilled during those two hurricanes. There were no major spills. It is a testament to our engineering and our safety managers in the oil and gas business.

However, a painful lesson was taught in the aftermath of the two hurricanes. We temporarily lost 20 percent of our domestic natural gas and 30 percent of our domestic oil. Prices of gasoline at the pumps skyrocketed, and constituents suffered.

One thing that makes me uncomfortable about the hearing today is an action that we took earlier in this Congress, during Speaker

Pelosi's first 100 hours. H.R. 6 will have significant impact on our Outer Continental Shelf Leasing Program, so in fact the whole hearing today is possibly undermined by that bill that we passed that could trigger, according to testimony that we heard in the royalties-at-risk hearing in this subcommittee. We heard the testimony during that hearing that injunctions and lawsuits could stop all leasing for a period of three years. And so I worry that our whole five-year program could simply be moot while we allow the trial lawyers to fight it out in court.

This legislation was passed by the House 264-163. It is not good for our government's resources, not good for our government's income, and it is not good energy policy, and undermines the entire intent of the five-year program.

Again, I look forward to the testimony and discussion. I just ask that things be put in perspective, and welcome you all.

Thanks again, Mr. Chairman, for the events leading up to this hearing.

Mr. COSTA. Thank you very much, gentleman from New Mexico.

We would now like to recognize our first panel of witnesses, which is our colleagues. I understand that Representative Moran is on his way, and hopefully he will get here before his two colleagues complete their testimony. We certainly want to be able to accommodate Representative Moran.

But our first witness is a gentleman who I have had the pleasure to work with and to know for going on three decades now, back to our old California days, who has done a terrific job in representing the people of the northern coast of California, one of the crown jewels of California's tremendous natural resources. And as he will tell you, he represents some of the best parts of California.

Congressman Mike Thompson.

STATEMENT OF THE HONORABLE MIKE THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. THOMPSON. Thank you, Mr. Chairman and Mr. Pearce, for holding the hearing and giving me the opportunity to come in and testify on behalf of legislation that I have introduced, that would, in fact, protect a good portion of California's coast. I am fortunate enough to represent over a third of California's coastline, the biggest stretch of coastline in any Congressional district in the continental United States. And Mr. Chairman, thank you for recognizing the beauty and the significance of that area.

And I also appreciate, Mr. Chairman, your comments, that as this process unfolds, it is going to provide a thoughtful and honest review of not only our resource availability, but our energy needs. I agree with you; I think that is important to do.

And Mr. Pearce, I appreciate the fact that you mentioned the importance of local input on these issues. And I say that in part because the provisions of my bill have historically been supported by over 85 percent of the people that live not only along the coast of my district, but throughout my entire district.

And I also recognize that none of the plans to date propose to let any new leases off the coast in my district. But as we saw just Tuesday of this week, there is always discussion about and at-

tempts to lift or to reverse the moratorium. And every year since I have been here I believe that that has happened, and every year it provides tremendous heartburn for the people that I represent.

And I also understand the argument that is made—and Mr. Chairman, you and I have had this discussion in person a number of times—with the argument that is made not only by you, but by a number of people that may, in fact, be impractical, to permanently protect the entire OCS from any type of exploration. But as you point out, I strongly believe that there should be some exceptions to this thought. And I believe I represent one of those exceptions on the north coast.

And in my district on the north coast, it is a pretty unique area. We have one of four upwelling regions found in the entire world. And an upwelling region is an area, which because of marine and climatic effects, produces an abundance of food for marine life. These areas, because of the way the currents work and the way the ocean bottom is configured, enhance seaweed and phytoplankton growth in the area, which translates into a very productive ecosystem and a very important fishery in the area that I represent.

And upwelling regions make up only 1 percent of all of the oceans. But about half of the fish catch worldwide comes from these upwelling regions. And you can imagine the impact, notwithstanding the tremendous success that the oil industry has had in recent years from preventing and avoiding any type of spills. But you can imagine the impact that a spill would have on a fishing industry. And in my area, it is the biggest salmon area outside of Alaska in the country. So it is very, very important to the folks who live there.

And my district is also very rich in tourism. It has generated a tremendous amount of income, which is important for local governments, for the state government, and nationally. And those tourist businesses that operate up there, they operate under the premise that they are going to have beautiful, clean beaches, and unobstructed, spectacular views. And that is something that concerns them, when you put them at risk at all.

I also want to point out that this is the committee that last year, under the chairmanship of former Chairman Richard Pombo, passed a bill that I had that protected, put into permanent wilderness area, a good portion of this same district whose coasts we are trying to protect. Signed into law by the President, and specifically I want to point out the Lost Coast area.

Mr. Chairman, you know it well. And it was described not by you, not by me, but the Bush Administration, as the crown jewel of all wilderness areas throughout the entire United States of America. It is not only beautiful, but it is very, very rugged. And if there were to be any type of mishap in that area, it would be nearly impossible to provide a quick response to get in there and contain that spill, and to be able to clean it up. We don't have the access, we don't have the resources to do it.

So while all areas maybe shouldn't be protected in perpetuity, there are some that should. And I believe that this area is one of those. And the bill that I have before the committee, H.R. 2758, would provide that protection.

I appreciate the opportunity for you to hear my testimony. And I would like to be able to provide my written testimony to the committee.

[The prepared statement of Mr. Thompson follows:]

Statement of The Honorable Mike Thompson, a Representative in Congress from the State of California

Chairman Costa, Ranking Member Pearce and Members of the committee, thank you for the opportunity to provide testimony on H.R. 2758, the Northern California Ocean and Coastal Protection Act. I appreciate the committee's invitation to speak here today about my bill that would permanently prohibit oil and gas drilling off the coasts of Mendocino, Humboldt and Del Norte Counties in my district.

Mister Chairman, I understand the proposed Mineral Management Service's leasing program does not include any new leasing in the Pacific Region, and that the Presidential withdrawal and Congressional moratorium on oil and gas leasing are still in place. However, as we saw on the House floor Tuesday, every year there are attacks against the Congressional moratorium and I am concerned that one day it might be lifted. While I understand the argument made by many of my colleagues that currently it may not be practical to provide permanent protection from offshore drilling for the entire Outer Continental Shelf, there are some areas of the OCS where permanent protection is sensible and absolutely necessary. My district, which comprises the longest coastline of any Congressional district in the continental U.S. and one third of the California coast, is an area that deserves such protection.

Northern California's coast is part of a unique upwelling region found along the West Coast, which is one of only four upwelling regions in the world. Upwelling regions are coastal areas that support extremely abundant and productive marine life. Upwelling brings cold, nutrient-rich waters up from the ocean depths that, when combined with sunlight, enhance seaweed and phytoplankton growth. The abundant seaweed and phytoplankton that upwelling zones support provide energy for some of the most productive ecosystems in the world, including many of our nation's more important fisheries. It supports some of the largest populations of salmon south of Alaska—all the more notable since these stocks are at the very southern end of the Pacific salmon range. Rich Dungeness crab fishing grounds, along with rockfish, sole and urchin also support fishing communities tucked along this rugged coast. According to the National Oceanic and Atmospheric Administration, while upwelling regions make up only one percent of the world's oceans, they contribute to approximately half of the world's fish catch. In 2006, California's North Coast experienced a commercial fishery failure that virtually shut down salmon fishing along 700 miles of coast, costing our local and state economies more than $35 million. Imagine the cost if an oil spill were to occur that devastated all of the North Coast fishing industries.

My district also supports a large tourism industry vital to our local and state economies. For instance, over 2.7 million people visited Mendocino County Coastal State Parks in 2006, and bed tax revenues for the Mendocino coast alone totaled more than $3.5 million in the same year. In 2005, combined travel spending and travel-related earnings in Mendocino, Humboldt and Del Norte counties totaled more than $672 million and $233 million dollars, respectively. The thriving tourism industry in my district is dependent upon the spectacular views and pristine coves and beaches along the North Coast, all of which would be threatened if an oil spill occurred off the coast. In addition, given the rural and rugged nature of my district, the effects of a spill would be particularly disastrous given limited accessibility and the resources readily available for clean up. Indeed, part of my district includes the only roadless coastal area in the continental U.S.—the "Lost Coast"—whose unspoiled wilderness is treasured by hikers. Containing and cleaning up a spill in this area would be extremely difficult, if not impossible under most conditions. Even assuming no accidents would occur—a highly unlikely scenario—just the shoreside support and infrastructure needed to maintain offshore oil operations in this area would cause significant damage to this rugged, but fragile, environment.

It is also important to recognize that no offshore oil and gas leasing has occurred off the Northern California coast since 1964, and that all of those leases were relinquished by 1968 due to the negligible quantity and quality of hydrocarbons thought to be present off the North Coast. Before 1964, offshore drilling off the North Coast was nonexistent. In areas like California's North Coast where ecological and current-use economic benefits are high and the value to our nation's energy resources low, permanent protection from offshore drilling makes good sense.

In closing, I would like to reiterate that as a result of the unique and incredibly productive ecosystem found within its waters and its renowned natural beauty, Northern California's coast brings biological and economic benefits to our entire country—benefits that warrant protection. An oil spill off our beautiful North Coast would be economically and ecologically disastrous. My bill will ensure that never happens.

I want to thank you for your time and consideration of this important piece of legislation. I look forward to working with the committee to provide permanent protection from offshore oil and gas drilling for California's North Coast.

Mr. COSTA. Without objection, that would be the order of the day.

And Congressman Thompson, you did leave out two of what I think are the wonderful richness of your district, and that is the redwoods and the wine. So I think we——

Mr. THOMPSON. If I could have another five minutes, Mr. Chairman, I will be happy to get into those.

[Laughter.]

Mr. COSTA. No, it has been said.

Another distinguished colleague who we are very pleased to have here this morning, who represents Virginia's Second District, a very wonderful part of America, a wonderful part of Virginia, Thelma Drake. And we are glad to have you here this morning.

STATEMENT OF THE HONORABLE THELMA DRAKE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Ms. DRAKE. Good morning, Chairman Costa, Ranking Member Pearce, and Congressman Gohmert. It truly is a great honor for me to be back with you today, and to speak about an issue of such importance to the Commonwealth of Virginia.

Americans are paying too much to heat their homes, fuel their cars, and run their businesses. Energy costs in the United States have skyrocketed, and our dependence on foreign sources of energy is placing our economy and national security at risk.

The increased global demand for energy by emerging countries, such as China and India, will only further drive up the cost for American businesses and families in the future. In fact, Dow Chemical Company, a company founded in Michigan in 1897, has had to reduce its employee head count by 7,000 since 2002, and is currently planning on moving 10,000 American jobs overseas, to countries like Malaysia, Kuwait, Saudi Arabia. This is just one example of how the cost of energy is driving away our manufacturing base, which in turn adversely impacts our labor market and our overall economy.

Many steps need to be taken today to stabilize energy prices and liberate our nation's dependence on volatile oil- and gas-rich nations.

One such step is tapping our vast domestic resources, such as those lying in the Outer Continental Shelf. The Minerals Management Service five-year plan for the OCS provides such a step forward. For far too long, the OCS in the Atlantic has been locked up. While our oil and gas prices have seen a steady increase, our options in providing a solution to our citizens have been limited.

However, the new MMS five-year plan has broken these chains, and has given back hope to a nation that remains hostage to foreign sources of energy. Including Virginia in the five-year plan will

provide valuable answers to such questions as how much of a resource is off the coast, where these energy resources are located, and the challenges of harvesting these resources. It would be short-sighted not to seek these answers, as I believe the majority of Americans would agree that these are much-needed steps if we are to achieve true energy independence.

I believe MMS's five-year plan will provide the insight that the Federal government and the Commonwealth of Virginia are seeking, as both entities explore real solutions to our ever-increasing energy problems. It is noteworthy that the inclusion of Virginia in the five-year plan was a result of the expressed intent of the people of the Commonwealth.

In 2006, the Virginia General Assembly, under the leadership of Senator Frank Wagner, passed a comprehensive energy plan that included the desire to explore what resources lie off the coast of Virginia. More recently, this past year Governor Tim Kaine expressed his interest to MMS for this to occur, as well.

I must stress that the support of the Commonwealth of Virginia came only after the conclusion was drawn that there were appropriate environmental safeguards and distance from shore.

While I am pleased to see Virginia's inclusion in the five-year plan, I must admit that I am dismayed by the map that MMS is forced to use to establish Federal OCS offshore administrative boundaries which determine OCS state-adjacent administrative zones. These boundaries, as they are currently drawn, do not accurately reflect the relative boundaries of states; and furthermore, penalize states such as Virginia with concave coastlines, and result in grossly unfair zoning.

This inequity affects all of the Commonwealth's activities in the ocean, including sand and gravel dredging, agriculture, and offshore renewable energy projects, including wind, waves, and currents, in which Old Dominion University in Norfolk is actively engaged.

Before I conclude, I must say that I support the increased use of renewable energy projects in this country. The energy policy of the 21st century cannot rely solely on traditional sources of energy; therefore, renewable energy sources must play a key role in any long-term solution to our nation's energy needs.

That being said, the reality is that all of the renewable energy we produce today would not solely keep the lights running, our homes heated and cooled, and our cars functioning. As a result, we must allow MMS to research and thoroughly investigate what domestic assets of natural gas are contained off the coast of Virginia, while continuing to approve policies that look to renewable energy to meet the needs of the future.

Mr. Chairman, I thank you for this opportunity. I thank you for the work that you are doing. I am delighted to be able to speak here to you today on such an important issue, both for our nation and for the Commonwealth of Virginia.

[The prepared statement of Ms. Drake follows:]

Statement of The Honorable Thelma Drake, a Representative in Congress from the State of Virginia

Good Morning Chairman Costa, Ranking Member Pearce and other Members of the Subcommittee.

As a former member of this Subcommittee, it is a great honor for me to be sitting here on the other side of the dais to speak about an issue of great importance to the Commonwealth of Virginia.

Americans are paying too much to heat their homes, fuel their cars, and run their businesses. Energy costs in the United States have skyrocketed and our dependence on foreign sources of energy is placing our economy and national security at risk. The increased global demand for energy by emerging economies such as China and India will only further drive up the cost for American businesses and families in the future. As a result, many steps need to be taken today to stabilize energy prices and liberate our nation's dependence on volatile oil- and gas-rich nations. One such step is tapping our vast domestic resources—such as those lying in the Outer Continent Shelf (OCS).

The Minerals Management Service's 5-year plan for the OCS provides such a step forward. For far too long, the OCS in the Atlantic has been locked up. While our oil and gas prices have seen a steady increase, our options in providing a solution to our citizens have been limited. However, the new MMS 5-year plan has broken those chains and has given back hope to a nation that remains hostage to foreign sources of energy.

Including Virginia in the 5-year plan will provide valuable answers to such questions as how much of a resource is off the coast, where these energy resources are located, and the challenges of harvesting these resources. It would be short-sighted not to seek these answers as I believe the majority of Americans would agree that these are much needed steps if we are to achieve true energy independence. I believe the MMS 5-year plan will provide the insight that the federal government and the Commonwealth of Virginia are seeking as both entities explore real solutions to our ever-increasing energy problems.

It is noteworthy that the inclusion of Virginia in the 5-year plan was a result of the expressed intent of the people of the Commonwealth. In 2006, the Virginia General Assembly, under the leadership of Senator Frank Wagner, passed a comprehensive energy plan that included the desire to drill off the coast of Virginia. More recently, this past year Governor Tim Kaine expressed his interest to MMS for this to occur as well. I must stress that the support of the Commonwealth of Virginia came only after the conclusion was drawn that there were appropriate environmental safeguards and distance from shore.

While I am pleased to see Virginia's inclusion in the 5-year plan, I must admit that I am dismayed by the map the MMS has adopted to establish the federal OCS offshore administrative boundaries which determine OCS state adjacent administrative zones. These boundaries, as they are currently drawn, do not accurately reflect the relative boundaries of states and furthermore penalize states, such as Virginia, with concave coastlines and result in grossly unfair zoning. This inequity affects all of the Commonwealth's activities in the ocean including sand and gravel dredging, mariculture, and offshore renewable energy projects involving wind, waves and currents.

Before I conclude, I must say that I support the increased use of renewable energy projects in this country. The energy policy of the 21st century cannot rely solely on traditional sources of energy; therefore, renewable energy sources must play a key role in any long-term solution to our nation's energy needs. That being said, the reality is that all of the renewable energy we produce today would not solely keep the lights running, our homes heated and cooled and our cars functioning. As a result, we must allow MMS to research and thoroughly investigate what domestic assets of natural gas are contained off the coast of Virginia while continuing to approve policies that look to renewable energy to help meet the needs of the future.

Mr. Chairman, thank you for the opportunity to be here today to speak about such an important issue for our nation and for the Commonwealth of Virginia.

Mr. COSTA. Thank you very much, Congresswoman Drake. We do appreciate your testimony. It was thoughtful and reflective, and gives a perspective for I think all of us to weigh in, and we hope you will continue to be a part of this effort as we do our due diligence to determine how we develop a balanced policy that focuses on our energy resources in an environmentally sound and constructive way.

So this subcommittee, as you know because you served previously, has difficult balances to try to perform, and we are trying

to do that in a way that makes sense. So we appreciate your testimony very much.

Ms. DRAKE. Thank you, Mr. Chairman.

Mr. COSTA. All right. Do we have any report on Congress Member Moran? Do we have any sense? Because otherwise I would—OK. Well, we are going to have to begin with the second panel. And what we will try to do is squeeze Mr. Moran in after that, depending upon when he arrives, after whichever panel has completed its testimony.

All right. That brings us to our next witness. And that witness is Walter Cruickshank.

And you have already gotten a very positive buildup from my colleague, the Ranking Member. And we look forward to your testimony.

You are a distinguished panel of one, so you have a lot of responsibility this morning. You are the new Acting Director of the Minerals Management Service. We will now recognize you for five minutes. And of course, the Chairperson as well as the other members appreciate all witnesses following the five-minute rule. And you are very familiar with the lighting system here, so we would appreciate that. If you have greater length to your testimony, we will submit that for the record in a written statement. And then concluding that, we will begin the questioning.

Mr. Cruickshank.

STATEMENT OF WALTER CRUICKSHANK, ACTING DIRECTOR, MINERALS MANAGEMENT SERVICE, U.S. DEPARTMENT OF THE INTERIOR

Mr. CRUICKSHANK. Thank you, Mr. Chairman and Mr. Pearce, for bringing——

Mr. COSTA. Bring the microphone a little closer. We want to make sure we can hear you.

Mr. CRUICKSHANK. I appreciate the opportunity to discuss the Department of Interior's Outer Continental Shelf five-year oil and gas leasing program today.

The Department serves the public through careful stewardship of our nation's natural resources, and we also play an important role in supplying energy to the country. About one third of all the energy produced in the United States comes from resources managed by the Department of the Interior.

Since the Minerals Management Service was created in 1982, the OCS has produced about 11 billion barrels of oil, and over 116 trillion cubic feet of natural gas. This has been accomplished with a remarkable environmental record. Over the last 20 years, less than 1/1000 of 1 percent of oil produced offshore has been spilled.

Oil and natural gas will continue to be vital to the American economy. According to the Energy Information Administration, over the next 20 years Americans' demand for energy is expected to grow by 25 percent, with oil and natural gas accounting for the majority of energy use through the year 2030. EIA's projections show that OCS oil and gas will remain a vital part of domestic energy portfolio.

Within the next five years, offshore production will likely account for more than 40 percent of domestic oil production, and 25 percent of domestic natural gas production.

Last year, MMS completed an assessment of undiscovered recoverable resources that may exist on the OCS. Our mean estimate is that the OCS contains about 86 billion barrels of oil, and 420 trillion cubic feet of natural gas. This represents about 60 percent of the nation's remaining undiscovered oil, and 40 percent of its remaining natural gas. And this is why the OCS is so critical to the nation's energy future.

Access to these resources is determined by the five-year OCS oil and gas leasing program. The OCS Lands Act requires the Department to prepare a program that specifies the size, timing, and location of areas to be considered for leasing.

It takes over two years to complete the process of preparing a program, and along the way at multiple steps, we solicit comments from coastal states, Federal agencies, stakeholders, other interested parties, and the general public. No area in the OCS can be offered for leasing unless it is included in the final five-year program.

On April 30 the Secretary transmitted to Congress and the President the proposed final five-year OCS oil and gas leasing program for 2007 to 2012. As required by the OCS Lands Act, the Secretary may not approve the final program until 60 days after transmittal. The 60th day is tomorrow, at which point the Secretary may approve the program that would take effect July 1, and govern our OCS program for the next five years.

In developing the program, MMS held public meetings throughout the areas that were under consideration for leasing, and solicited comments nationwide. We received almost 125,000 comments throughout the preparation of the program, about three quarters of which supported expanding the amount of acreage that would be offered for oil and gas leasing consideration.

The proposed final program includes 21 lease sales and eight planning areas. Twelve sales are proposed for the Gulf of Mexico, eight offshore Alaska, and one in the mid-Atlantic planning area off the coast of Virginia. Our analysis indicates that this program could result in an estimated production of an additional 10 billion barrels of oil, and 45 trillion cubic feet of natural gas, generating over $170 billion in today's dollars of net benefits for the nation.

We know that there has been particular concern over proposed sales in portions of the mid-Atlantic and North Aleutian Basin planning areas. As you noted, Mr. Chairman, the mid-Atlantic remains under Presidential withdrawal and Congressional moratorium, and no leasing will occur unless the moratorium is discontinued and the withdrawal modified.

The North Aleutian Basin is included in the program, which would support of the State of Alaska and the local communities closest to the proposed sale area. MMS will work closely and cooperatively with the State of Alaska, the Aleutian's East Borough, and others in the area, and provide ample opportunity for public input during a planning process that will lead to a decision on whether or not to hold the lease sale.

To help make this a meaningful process, MMS convened a meeting of stakeholders, scientists, and state and local government administrators with particular knowledge of the resources in this area to help us identify the most critical information needs and plan new environmental studies for the North Aleutian Basin.

As an example, on Tuesday of this week we announced the partnership with NOAA's National Marine Mammal Laboratory to conduct a $5 million, 3.5-year study on the North Pacific White Whale. Additional studies on other issues will be conducted in 2008 and beyond. And this is just an example of our approach to understanding the issues and decision-making in all areas of the OCS.

The Department of MMS remains committed to doing our part to provide access to both traditional and alternative energy resources on Federal lands as a critical component of a balanced, comprehensive energy policy.

Mr. Chairman, this concludes my statement, and I would be happy to answer any questions that you or other members of the Subcommittee may have.

[The prepared statement of Mr. Cruickshank follows:]

Statement of Walter D. Cruickshank, Acting Director, Minerals Management Service, U.S. Department of the Interior

Thank you for the opportunity to appear before the Subcommittee today to discuss with you the Department of the Interior's Minerals Management Service (MMS) Outer Continental Shelf (OCS) oil and gas leasing program. This Subcommittee has played an important role in shaping the Nation's domestic energy program, particularly with regard to encouraging environmentally sound development of our domestic oil and gas resources on the OCS.

The Department and its bureaus, including the MMS, serve the public through careful stewardship of our nation's natural resources. The Department also plays an important role in domestic energy development. One third of all energy produced in the United States comes from resources managed by the Interior Department.

The MMS has two significant missions: managing access to offshore Federal energy and mineral resources and managing revenues generated by Federal and Indian mineral leases, on and offshore.

Managing access has resulted in OCS production of almost 11 billion barrels of oil and more than 116 trillion cubic feet of natural gas since MMS's creation in 1982. To date since 1982, the number of active OCS leases has increased by 172 percent and oil production is about 59 percent greater, in spite of the drop in production from the 2004-2005 hurricane seasons.

Nation's Energy Outlook

The United States continues to face an energy challenge with high prices and increasing dependence on foreign supplies. Our security, economy, and our quality of life are dependent on energy. As this Committee knows well, there is no single solution. Achieving energy security will require diligence on both the supply and demand sides of the energy equation.

Oil will continue to be vital to the American economy. According to the Energy Information Administration (EIA), over the next 20 years Americans' demand for energy is expected to grow 25 percent. [See figure A: EIA projection of U.S. energy consumption] Even with more renewable energy production expected, oil and natural gas are projected to account for a majority of energy use through 2030. This projection incorporates continued gains in energy efficiency and movement away from energy-intensive manufacturing to less energy intensive service industries. Offshore oil and gas production will continue to be a vital part of our Nation's domestic energy resource portfolio. [See Figure B: EIA projection of U.S. energy resource production]

Continued reliance on oil and natural gas coupled with the need to reduce our dependence on foreign energy supplies causes us to look increasingly at the potential oil, natural gas and other energy resources from Federal waters on the Outer Continental Shelf (OCS) to enhance environmentally safe domestic energy production.

Today, MMS administers about 7,800 leases and oversees nearly 4,000 facilities on the OCS. Based on EIA's reports on imports by country of origin, if the Federal OCS were treated as a separate country, it would rank among the top five nations in the world in terms of the amount of crude oil and second in natural gas it supplies for annual U.S. consumption. According to MMS's calculations, within the next 5 years, offshore production will likely account for more than 40 percent of domestic oil and 25 percent of U.S. natural gas production, owing primarily to deep water discoveries in the Gulf of Mexico.

OCS Role in Nation's Energy Portfolio

Much of the future United States oil and gas demand will have to be met by OCS production, especially from new areas in the Gulf of Mexico and Alaska.

The Gulf of Mexico continues to represent a major domestic energy source for the United States. There is intense interest in oil and gas potential in the deep and ultra-deep water areas. Exploratory drilling in the deep water increased in 2005 despite the disruptions caused by hurricanes; and 12 new deep water discoveries were announced in 2006. Recent discoveries in the ultra-deep waters of the Gulf of Mexico represent a significant increase in oil and gas supplies for decades to come. The large volume of active deep water leases, the steady drilling program, and the significant, ongoing investment in deep water infrastructure indicate that the deep water Gulf of Mexico will continue to be an integral part of the Nation's energy supply.

The EIA data [1] shows a trend of increasing oil production from the OCS to about 750 million barrels per year by 2011. EIA projects natural gas production to increase to 4 trillion cubic feet by 2012 and sustain that level through approximately 2019. Significant additional oil and natural gas production is expected when new projects, like Atlantis, Thunder Horse, and Independence Hub, come on line in 2007 and 2008. However, new deep water natural gas production may not keep pace with the expected declines in production from the shallow waters of the Gulf of Mexico, and we anticipate natural gas production in the near term to be somewhat lower.

To encourage energy development from Federal offshore lands, MMS provides an orderly and predictable schedule of competitive oil and gas lease sales. Production from leases issued as a result of these sales will contribute substantially to future domestic oil and gas production and will provide bonuses, rentals and royalties to the U.S. Treasury and adjacent coastal states.

2006 Resource Assessment

Last year, as part of the OCS inventory requirements of the Energy Policy Act of 2005, MMS completed an assessment of the potential quantities of undiscovered technically recoverable oil and gas resources that may be present on the OCS [2]. According to this assessment, we estimate (at the mean level) that the OCS contains 86 billion barrels of oil (as oil and natural gas liquids/condensate) and 420 trillion cubic feet of natural gas. For comparison, the most recent resource estimates from the United States Geological Survey National Oil and Gas Assessment indicate that the total mean, undiscovered technically recoverable resources for onshore and State owned waters offshore are approximately 57 billion barrels of oil (as oil and natural gas liquids/condensate) and 627 trillion cubic feet of natural gas. Thus, the OCS contains about 60 percent of the Nation's remaining undiscovered technically recoverable oil (as oil and natural gas liquids/condensate) and 40 percent of its natural gas. [See Figure C: Resource Assessment Map]

Of the 1.76 billion acres of Federal offshore lands on the OCS, about 600 million acres are not available for oil and gas leasing. When the 2006 resource assessment was completed, areas under congressional moratoria or Presidential withdrawal included the North Aleutian Basin off Alaska, the Pacific, the Eastern Gulf of Mexico, and the Atlantic. The potential resource in these areas is estimated to be approximately 18 billion barrels and 76 trillion cubic feet of gas, or approximately 20 percent of the undiscovered technically recoverable resources in the OCS. There is great uncertainty regarding the resource potential in areas where leasing has been prohibited and where the last geophysical surveys and drilling exploration occurred more than 25 years ago.

Five-Year OCS Oil and Gas Leasing Program

The Outer Continental Shelf Lands Act (OCSLA) requires the Secretary to develop a 5-year schedule of oil and natural gas lease sales in specific offshore areas. These specific areas are to be selected after an analysis comparing oil and gas bear-

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[1] Energy Information Administration, Annual Energy Outlook 2007 Data (National Energy Modeling System run AEO2007.D112106A).

[2] Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources. http://www.mms.gov/revaldiv/PDFs/FinalInvRptToCongress050106.pdf

ing regions of the OCS and receipt of public comments, including comments from each coastal state governor. Our current program runs through June 30, 2007. MMS has recently completed work on the next five year program, which will cover July 1, 2007 through June 30, 2012.

The OCSLA requires the Secretary to determine size, timing, and location of sales proposed in a 5-year program. Section 18 of the OCSLA requires an analysis of the economic, social, and environmental values of all of the resources of the OCS and the potential impact of oil and gas exploration on the environment. Specific factors which must be analyzed and considered in deciding where and when to lease include:

- existing information on the geographical, geological, and ecological characteristics of such regions;
- equitable sharing of developmental benefits and environmental risks among the various regions;
- location of such regions with respect to regional and national energy markets;
- location with respect to other current and anticipated uses of the sea and seabed;
- expressed industry interest;
- laws, goals, and policies of affected states specifically identified by governors;
- relative environmental sensitivity and marine productivity of different areas of the OCS; and
- environmental and predictive information for different areas of the OCS.

The Act requires the Secretary to obtain a proper balance between the potentials for environmental damage, the discovery of oil and gas, and adverse impact on the coastal zone, using cost-benefit analysis.

It takes over two years to complete the Section 18 process. Major steps in developing a 5-Year Program include:

- Request for Information (RFI) (this is only a request for information—not a specific proposal)
- Draft Proposed Program (all areas identified in the RFI that are not proposed for leasing consideration are excluded at this stage)
- Proposed Program/Draft Environmental Impact Statement (EIS)
- Proposed Final Program/Final EIS
- Approval
- New Program in Effect (for next 5 years)

Public meetings were held throughout the areas that were considered for future leasing and comments solicited, analyzed, and incorporated where appropriate. This 5-Year Program had a significant outpouring of comment, especially from the general public. Over 73,600 comments were received on the Proposed Program. Out of these comments, over 73,400 were from the general public. A majority of the commenters, almost 75 percent, supported a 5-year plan that offers increased acreage for offshore oil and gas development planning. These comments focus on the instability in the Middle East, American military operations in Iraq, and high energy prices in the United States. Approximately 25 percent of the private citizens who wrote letters oppose development of the domestic OCS, viewing the environmental hazards as too great a risk for limited energy resources.

Proposed Final OCS Oil and Gas Leasing Program for 2007-2012.

On April 30, the Secretary of the Interior transmitted to Congress and the President the Proposed Final 5-Year Outer Continental Shelf Oil and Gas Leasing Program. This Program will guide the Department's decisions on domestic energy leasing on the OCS from 2007 to 2012. As required by section 18 of the OCSLA, the Secretary may not approve the final program until at least 60 days following submission to Congress and the President. Therefore, the Secretary may approve this new program tomorrow, June 29. The program would then take effect on July 1.

The 2007-2012 Program proposes 21 lease sales in eight planning areas. Twelve sales are proposed for the Gulf of Mexico, eight off of Alaska and one in the Mid-Atlantic Planning Area, off the coast of Virginia. Our analysis indicates that implementing the new 5-Year Program for 2007-2012, would result in a mean estimate of an additional 10 billion barrels of oil, 45 trillion cubic feet of gas, and $170 billion, in today's dollars, in net benefits for the nation, over a 40-year time span.

The Program proposes to continue annual lease sales in the Central and Western Gulf of Mexico. The Program proposes to offer new areas of the "Sale 181 Area" in the Central Gulf in October 2007. In accordance with the Gulf of Mexico Energy Security Act, signed by President George W. Bush on December 20, 2006, new acreage will be offered in portions of the Sale 181 Area in the Eastern Gulf in March 2008, as well as the "181 South Area" in the Central Gulf, which is scheduled to be offered in 2009, following completion of the supplemental environmental impact statement.

The total acreage of new areas in the Gulf offered under the proposed program is 8,337,443 acres.

The leasing program proposes a schedule of eight sales in Alaska: two in the Beaufort Sea; three in the Chukchi Sea; up to two in Cook Inlet; and one in the North Aleutian Basin. These areas would be subject to environmental reviews, including public comment, and extensive consultation with state and local governments and tribal organizations before any lease sale decisions are made.

The Program also includes a proposed sale in the Mid-Atlantic Planning Area, beyond 50 miles of the coastline of Virginia, in late 2011. This area was included in the Program at the request of the Commonwealth of Virginia. This proposed sale area excludes a 50-mile coastal buffer from leasing consideration as requested by the Commonwealth of Virginia, as well as a No-Obstruction Zone at the entrance to the Chesapeake Bay where no leasing would take place. A decision to hold a lease sale will not be made without additional consultation and more site-specific analysis of its environmental effects under the National Environmental Policy Act (NEPA).

We at MMS know that there has been particular concern over the proposed sales in the Mid-Atlantic and North Aleutian Basin. The Mid-Atlantic area remains under Presidential withdrawal and Congressional moratorium; therefore no leasing can occur unless the congressional moratorium is discontinued and the presidential withdrawal is modified for this area.

The situation is different in the North Aleutian Basin (NAB). Congress placed the NAB under congressional moratorium from FY 1990 through FY 2003, after which Congress no longer included a rider to prohibit development in NAB. In 1998, President Clinton withdrew the NAB and other areas from leasing consideration through 2012. On January 9, 2007, the President modified the 1998 withdrawal in order to allow leasing in two areas previously closed—the 181 South Area in the Central Gulf of Mexico and the NAB.

Modification of the withdrawal with regard to NAB was supported by the State of Alaska, the Alaska delegation, and the local communities closest to the proposed sale area, including the Aleutians East and Aleutians West Boroughs, Bristol Bay Native Corporation, and cities of Cold Bay, Sand Point, and False Pass. The MMS will prepare an environmental impact statement, with opportunity for public comment, and consult with the State of Alaska under the Coastal Zone Management Act before any decision is made to hold a lease sale in this area. The Secretary and MMS are committed to continuing the extensive consultation and cooperation with the State and local governments and tribal organizations which began during the preparation of the new 5-Year Program. The Proposed Final Program includes only one lease sale in this area in 2011, a change from the two sales originally proposed in the two earlier proposed schedules. The decision to change the proposed schedule from two sales to one sale was made in order to have time to develop the information that MMS considers necessary for an informed decision.

The only sale held to date in the NAB was Sale 92 in 1988 which resulted in 23 leases being issued. In 1995, all 23 leases were relinquished for compensation in a settlement of litigation. Therefore, there are no existing leases currently in the NAB.

In anticipation of possible leasing in the NAB under the new Program for 2007-2012, MMS began conducting environmental studies within the NAB Planning Area and is actively working with other federal, state, and local agencies to understand and address area concerns. The MMS takes very seriously the environmental protection expectations of stakeholders and the public and ensures compliance with laws such as the National Environmental Policy Act (NEPA), Outer Continental Shelf Lands Act (OCSLA), Coastal Zone Management Act (CZMA), Endangered Species Act (ESA), Marine Mammal Protection Act (MMPA), Magnuson Fishery Conservation and Management Act, Oil Pollution Act (OPA), Clean Air Act (CAA), and Clean Water Act (CWA).

Before making a decision to proceed with the proposed NAB sale, MMS would complete an anticipated 2 1/2 to 3 year pre-sale and NEPA process, which would include preparation of an environmental impact statement based on the most current and best scientific information. The MMS will use new information obtained through its Environmental Studies Program and other available information acquired from other research programs and studies in that region. The MMS Environmental Studies Program has a long history of appropriately identifying and obtaining needed mission-relevant environmental research. This work is a key strength of MMS's pre- and post-lease environmental assessment and monitoring efforts.

The first major step to plan new environmental studies in the NAB area occurred with the MMS-sponsored NAB Information Status and Research Planning Meeting held in Anchorage November 28—December 1, 2006. The four-day meeting gathered input from stakeholders, scientists, and government administrators with particular

knowledge and expertise on resource use in the area. Of the 111 meeting participants, MMS directly funded the travel expenses of 16 local stakeholder delegates to ensure strong representation from the local residents of each regional borough.

Speakers and meeting participants emphasized the critical importance of resources in the NAB, including human subsistence resources, commercial fisheries, and internationally important bird and marine mammal populations and habitats. Study profiles for new research efforts were developed at the meeting, representing the information priorities identified by the working groups. As a start, beginning this year MMS and National Marine Mammal Laboratory of the National Oceanic and Atmospheric Administration (NOAA) are co-funding a $5 million, three and a-half year study of the North Pacific right whale. Additional studies will be considered for fieldwork in 2008 and beyond. MMS will coordinate studies with other federal and state agencies and groups such as the North Pacific Research Board.

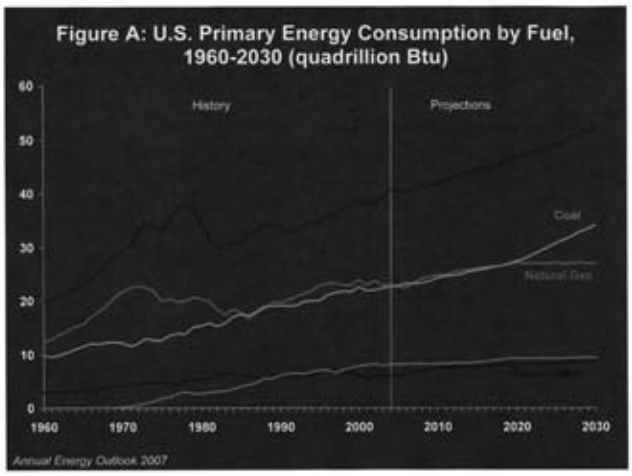
As part of our NEPA scoping process, MMS will seek information from local communities and stakeholders early in the EIS process. As a commitment to Alaska Governor Palin, Secretary Kempthorne has directed MMS to work closely and cooperatively with the State of Alaska, the Aleutians East Borough (AEB), and others in the area during the planning process for the lease sale. This includes having the AEB participate in the preparation of the EIS, assessing mitigation needs, and developing stipulations to protect social and environmental concerns, especially the valuable fisheries and subsistence uses of the area.

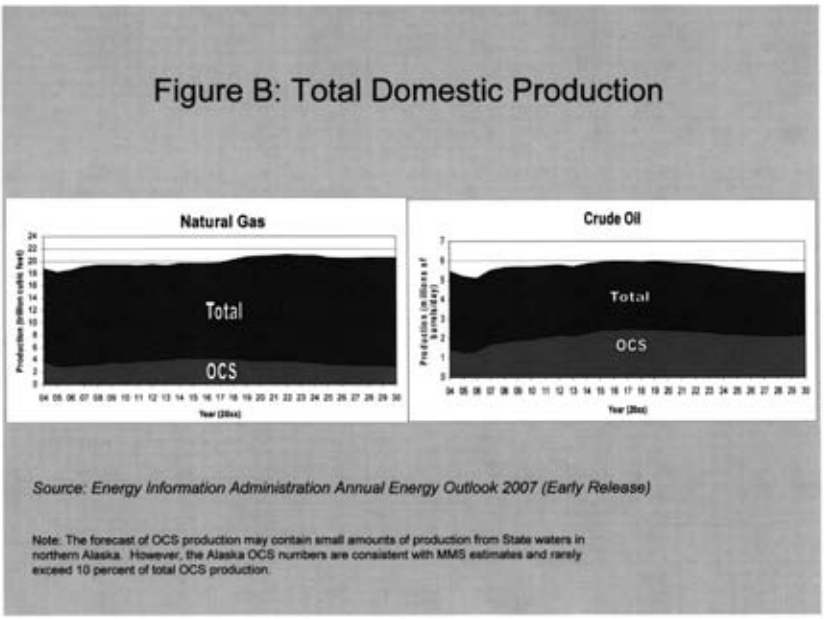
MMS will seek and consider the advice from expert agencies, such as NOAA's National Marine Fisheries Service, the Fish and Wildlife Service (FWS), National Park Service (NPS), U.S. Coast Guard, U.S. Environmental Protection Agency, State of Alaska agencies, local government, and federally recognized tribes. Further, during the pre-sale process, MMS will conduct related consultation including consultation with NOAA and FWS under Section 7 of the Endangered Species Act, essential fish habitat consultation with NOAA under the Magnuson-Stevens Fishery Conservation and Management Act, consultation with NOAA under the Marine Mammal Protection Act, and Section 106 consultation with the State Historic Preservation Office as required by the National Historic Preservation Act of 1966. MMS will also conduct Government-to-Government consultation with potentially affected tribes.

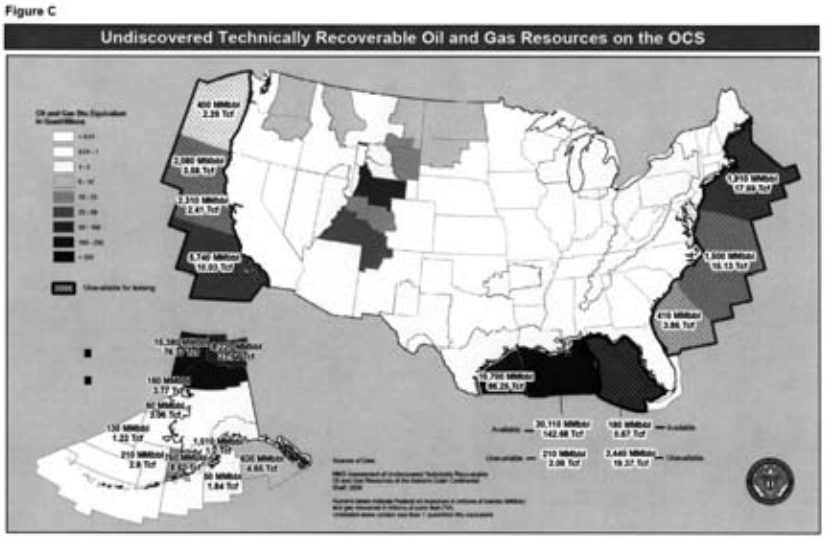
Conclusion

The Department of the Interior and the MMS remain committed to doing their part to provide access to both traditional energy resources and alternative and renewable sources on Federal lands as a critical component of a balanced, comprehensive energy policy. For this reason, the Department has ensured that the OCS remains a solid contributor to the Nation's energy needs. The relative contribution from Federal offshore areas will increase in the coming years due to increased access and increased activity in the deep waters of the Gulf of Mexico.

Mr. Chairman, this concludes my statement. I appreciate the continued support and interest of this Committee in MMS's programs. It would be my pleasure to answer any questions you or other members of the Committee may have at this time.







Mr. COSTA. Thank you very much. I suspect we have a number of questions. We will take this opportunity and begin.

As I have been attempting to, from a layperson's standpoint, become more familiar and knowledgeable about this process, I understand that a lot of the review that comes under the Minerals Management Service when you are publishing your inventory on U.S. oil and natural gas resources as it relates to the Outer Continental Shelf, that you compile data from various means.

But one of those ways is by the collection of seismic data, is that not correct?

Mr. CRUICKSHANK. We do not collect, we do not generate our own seismic data. We acquire seismic data. The company is——

Mr. COSTA. But you incorporate that.

Mr. CRUICKSHANK. Yes.

Mr. COSTA. That is the latest state-of-the-art, 3D technology that is allowed in determining the best information possible.

Mr. CRUICKSHANK. In areas where that sort of seismic has been shot, we do acquire it, yes.

Mr. COSTA. Yes. And so, I mean, I think it is important. Is there a problem that you—I mean, you use that resource that is available to you, but you are not able to generate it on your own.

Mr. CRUICKSHANK. We don't simply have the resources to go out and generate our own seismic data in areas. To do so for any given planning area would probably take $50 to $85 million, and several years of processing just to get a good picture of what is in a single planning area.

Mr. COSTA. Well, you heard my opening statement, my concern about the lack of real information based upon new technologies to understand clearly what the resource is out there.

Correct me if I am wrong. On your studies that you compiled for 2006 along the Atlantic and Pacific, our Alaskan coasts, were any of the seismic studies conducted along those areas?

Mr. CRUICKSHANK. We had, off the shore of the Atlantic we had seismic data that was shot back in the 1970s and early eighties, so we had some old data. We also acquired data from adjacent areas: offshore of the Canadian Atlantic, offshore of the Bahamas, where companies are active more recently. And we try and use that information to better our interpretation of the old data we have for U.S. waters.

Mr. COSTA. And so how does that information go into the assessments for the moratorium areas?

Mr. CRUICKSHANK. We simply look at that information and give our best guess on what it is telling us for the potential resource that may exist in that area, recognizing that until there is work done out there, that it is really not very good information.

Mr. COSTA. Yes, that was the frustration that I indicated in my opening statement.

So am I correct to understand, because you referenced 1970 or in that decade, that that is the last time we got first-hand data on what the resources are? I mean, we are basing the information on that?

Mr. CRUICKSHANK. Yes, 1970s. And I believe beginning of the 1980s was the last time there was seismic shock in the Atlantic, offshore of the U.S.

Mr. COSTA. Yes. I think we have to figure out a way to do better.

Let me ask you, you threw out a number there, $58 million I think. What would it take to provide a full seismic inventory for all the regions? And how much would it cost? Do you have an idea? Can you give us an approximation?

Mr. CRUICKSHANK. Well, we have taken a look at that, and our general approach would be to try and update the general 2-D seis-

mic for an area, and then focus in on specific hot spots, if you will, for a 3-D seismic to get a better picture of what may exist.

Mr. COSTA. And I think you would want to prioritize——

Mr. CRUICKSHANK. Absolutely.

Mr. COSTA.—since obviously you couldn't do it all at once.

Mr. CRUICKSHANK. And our estimates are that it would take between $50 and $85 million to do a single area.

Mr. COSTA. A single area?

Mr. CRUICKSHANK. A single planning area, that is correct. And we have 26 planning areas, though obviously in the Gulf and portions of Alaska we have current information from industry activities.

Mr. COSTA. OK. Let us move to some local efforts quickly, because my time—I cited the California experience, because with the strong opposition that exists there in California, some people believe there is no drilling. Of course, there are 44 platforms, and it is significant.

But was I correct in terms of talking about the issue of any spills? Have they been de minimis?

Mr. CRUICKSHANK. They have. As I noted in my oral statement, over the last 20 years there has been less than 1/1000 of 1 percent of the oil produced.

Mr. COSTA. You were talking nationwide.

Mr. CRUICKSHANK. I was talking nationwide.

Mr. COSTA. Right. So in California, it is——

Mr. CRUICKSHANK. I don't have the comparable number for California, but there has not been a major spill from OCS production since 1969.

Mr. COSTA. My time has expired, but if I get another round I want to get—maybe some of my colleagues will cover it—but the issue of weather conditions comparable to, you know, the North Sea, as we look at challenges on U.S. coastal waters, and the issues on coexistence with fisheries and environmental issues. But I will now defer to the Ranking Member of the committee, the gentleman from New Mexico.

Mr. PEARCE. I thank the Chairman, and would make the, just the opening statement that I am fascinated with the question on seismic, and would be more than willing to work in a bipartisan fashion to do whatever we can to update those studies. Because I think that access to reasonably recent and qualified data is extraordinarily important.

And I know from my experience in the oil field that the seismic data has tremendously changed since the seventies. In the seventies, you were getting kind of a one-dimensional display of what might be down when you drill, and so you are just kind of drilling blind. Today it is 3-D, and you can almost place a pocket of oil so that sometimes you have to come around and come to that pocket. But you can just hit exactly what you are trying to do. And it has caused some of the greatest environmental improvement in the industry because of our tremendous knowledge. So we would work with you on that.

The $50 to $85 million, Mr. Cruickshank, that you referred to, is that paid by the government, or is that paid by the companies?

Mr. CRUICKSHANK. Well, that is what we think it would cost if we were asked to collect the data ourselves.

Mr. PEARCE. If you were to collect it.

Mr. CRUICKSHANK. Yes.

Mr. PEARCE. Do you have any areas where you all collect data? Do you all typically do seismic, or do the oil companies do the seismic?

Mr. CRUICKSHANK. We do not. The oil and natural gas companies do the seismic, and we acquire it. But obviously those companies aren't acquiring seismic data in areas where they don't have, where they don't see a potential for leasing.

Mr. PEARCE. And so in your estimation, that is a business-wise decision that you all would invest in the seismic in order to lease? Or what would it take? What has stopped, I guess the question is, what has stopped the oil companies from doing that? That there is no future to lease, that the moratorium exists?

Mr. CRUICKSHANK. I believe that is the case. That if they don't see a prospect for leasing in an area, they don't view it as a wise investment of their money to go out and collect the data.

Mr. PEARCE. No, I would understand that. But say, even in piecemeal, let us say that we decided, because Virginia has voted in their legislature, the local process that we referred to earlier said, you know, let us have that. And so if we declared the moratorium over for the Virginia coastline, then is it reasonable to assume that companies would come in and spend that money, and save the government the $50 to $85 million per leasing parcel?

Mr. CRUICKSHANK. Yes, absolutely.

Mr. PEARCE. That is a reasonable assumption. And there would be no difference in the data. In other words, you would use the same sources, seismic sources.

Mr. CRUICKSHANK. It might even be the same companies, as we would contract that with folks if we were to——

Mr. PEARCE. So no difference on the data. Going into the safety, I have heard concerns from people in New Jersey that if we allowed production in Virginia, that we possibly risk the coastline of New Jersey.

Can you tell me the greater risk from the tankers that go in and offload oil in the northern part of the U.S. along that coastline. Is there a great risk from that, or a greater from the production that occurs out in the gulf in an offshore region?

Mr. CRUICKSHANK. We believe there is a greater risk from the tanker traffic. If leasing would occur offshore Virginia, currents there generally are southerly near shore, and offshore they tend to push farther out to sea. So we think the chances, if there were an incident offshore Virginia, anything getting up to New Jersey is pretty small.

Beyond that, the National Academy of Sciences has looked at the sources of oil that gets into the ocean, and offshore production counts for about 2 percent of the oil that gets into the ocean in North America; marine transportation, about 3 percent.

Mr. PEARCE. Where are the greatest percentages of oil that get into the ocean?

Mr. CRUICKSHANK. The single largest source is natural seepage, and that is followed by municipal runoff.

Mr. PEARCE. Do you know the size, the percent of the chance of natural seepage? In other words, 2 percent comes from production activities.

Mr. CRUICKSHANK. For natural seepage, it is about 63 percent of all the oil going into the North American——

Mr. PEARCE. So we have a 63 percent chance that nature is going to spoil the beaches of New Jersey, and a 2 percent chance that man's activities will. Is that correct? Is that a fair way to look at it?

Mr. CRUICKSHANK. Well, these are numbers that are averaged over the nation.

Mr. PEARCE. No, I understand.

Mr. CRUICKSHANK. I don't think there——

Mr. PEARCE. I am just trying to keep it in perspective and not to overplay it one way or another, just to understand what the facts are telling us.

What about minerals leasing cooperation with defense agencies? Does offshore leasing present a problem for that?

Mr. CRUICKSHANK. We have a longstanding memorandum of understanding with the Department of Defense, where we work cooperatively with them to plan activities in areas where there are Department of Defense activities. We have had a very successful relationship in the Gulf of Mexico that has allowed us to proceed with leasing in areas of importance through the Department of Defense. We are able to work out measures that allow both activities to occur jointly.

We would expect, as does the Department of Defense, that if the moratorium were to be lifted in Virginia, that we would talk about similar accommodations in that area. But from our perspective, we would never allow any leasing activity to occur that would jeopardize national security.

Mr. PEARCE. Mr. Chairman, I see my time has elapsed, but if you have a second round, I would ask then. Thank you.

Mr. COSTA. Thank you. You actually had an opportunity to have a little more time.

Our next member of the committee is the gentleman from Rhode Island, I should say, our colleague, Congressman Kennedy.

Let me just note before he begins his questioning that obviously Congressman Moran has arrived. I have indicated for an orderly process that we will complete our questions of this witness with two rounds, and then following this witness we will insert Congressman Moran for his statement.

So he has asked if he could have the courtesy of being here with us on the podium, and I said fine.

So the gentleman from Rhode Island, Mr. Kennedy.

Mr. KENNEDY. Thank you, Mr. Chairman. I want to follow up with the Ranking Member's question with regard to working with the Department of Defense, because as I understand it, the Navy submitted comments to your agency regarding the five-year draft proposed program on April 10, 2006, saying that because they conduct significant activity in the Virginia Cape's area operations, which overlaps the Virginia program area in the five-year plan, they oppose the oil and gas development activity in that region.

And on November 27, 2006, they submitted comments for the proposed program saying that, "The special interest sale proposed for the mid-Atlantic region is not acceptable to the Department because of its incompatibility with the military training and testing conducted in this area." As opposed to what you had just responded to Mr. Pearce in regards to.

The Navy goes on to say that they are willing to discuss possible alternatives to provide opportunities for exploration of potential joint use of the mid-Atlantic area, but they say, "MMS acknowledged that the Navy opposes the mid-Atlantic sale, but makes no response."

So I am sure you are familiar with these objections. But why is it that they have given them no response, and gone ahead and opened this thing up without giving them that response? I mean, you do acknowledge in the Gulf of Mexico you draw a line for military missions, the line to accommodate Department of Defense, but you are not willing to do that in this case. Why is that?

Mr. CRUICKSHANK. We did provide for the Department of Defense, we met with them on several occasions. As you noted, they have said they are willing to discuss alternatives that will provide for joint use of the mid-Atlantic area. And as they also note in the letter you were quoting from, the Department of Defense notes that they and we have worked closely together over the years to ensure a successful leasing program with manageable impacts on defense operations.

We have a very strong, longstanding relationship with them in the Gulf of Mexico. We have set areas aside. In other areas we do leasing and activities where there are military operations, but we put special conditions on those leases as to what sorts of activities can occur, and when they can occur, and a sort of notification that has to be given to the Department of Defense to make sure that there is no unacceptable impact on defense operations.

So if this area were to become available, one of the first things we would do is sit down with the Defense Department and work with them to see if there are reasonable accommodations that can be made. If not, that is certainly something that would weigh very heavily in any decisions as to whether or not to hold the lease sale.

Mr. KENNEDY. Obviously, I think that should be detailed in the five-year plan. Those are big issues that are at stake here, and I would hope that that is or is not just left as kind of details in the weeds. These are enormous issues that I think need to be considered before we even think of moving forward. These are not issues that are subtext to our discussions after decisions are made here at our level.

We need to have these questions brought up before us before we even consider these issues. They are not for bureaucrats to decide after we consider legislation like this. We need to be privy to these decisions well before, you know, you get to negotiate out, because we might, as a Congress, might not deem these appropriate compromises to national security.

I mean, we are considering a lot of moving parts here with respect to training grounds with BRAC and the like. I know that because we are in the midst of sharing a lot of these testing grounds between my state of Rhode Island in undersea warfare, and this

area that is in the potential testing zone off Virginia. There are enormous impacts here, and we can't have this kind of decision being made in a vacuum here. And I just really can't stress strongly enough that these decisions can't be made ex post facto, whenever this bill that we are deciding on here is considered.

So I would just bring that to the attention of the committee and say that I have great concerns about that. And then in another line of questioning, we will come back to the issues of oil spills and my concerns about those.

Mr. COSTA. You may want to highlight them. I am trying to, because of the timing situation, keep this to one round.

Mr. KENNEDY. OK. Well, I will submit those for the record, then.

Mr. COSTA. All right. I know the gentleman from Rhode Island, as I do, shares a fondness for the sea and for sailing, and speaks with great conviction. So we will be looking forward to submitting those questions. I have some additional questions, as well, that I will submit.

The gentleman from Texas, Mr. Gohmert, I believe is next.

Mr. GOHMERT. Thank you, Mr. Chairman. And we sure do appreciate your time and your testimony and your expertise.

I am curious. I have understood from Don Young that the closest groups to ANWR, local groups, do not have objection; that the groups that actually object to production, drilling production in ANWR, are those that are farther away. Do you know?

Mr. CRUICKSHANK. I don't know the answer to that off the top of my head. Minerals Management Service deals with the offshore resources, and ANWR is handled by another part of the Department.

Mr. GOHMERT. OK. When you had testified about one third of our energy sources come from within your-all's jurisdiction, I didn't know if you were testifying just specifically Minerals Management Service, or the entire Department of Interior.

Mr. CRUICKSHANK. The one third refers to the entire Department of Interior: on-shore, offshore, hydro-electric, all——

Mr. GOHMERT. But that is the extent of your expertise, is one third. And you can't go more specific beyond that.

Mr. CRUICKSHANK. I know bits and pieces, but I can't answer the specific question you asked about ANWR. But we can get an answer for you.

Mr. GOHMERT. OK. ANWR is not one of those bits or pieces, then.

Mr. CRUICKSHANK. Not in terms of the location of communities, no.

Mr. GOHMERT. All right. Well, to follow up on my colleague from Rhode Island's questioning, obviously we don't want to jeopardize national security, and obviously the Navy has some concerns, as well they should, if they have obstacles out in the sea that they would have to avoid that might pose problems.

And I know that the Navy has submarines that are nuclear-powered, and perhaps aircraft carriers. I am not on Armed Forces, but I was under the impression that most of our ships use carbon-based fuel.

Do you know what—I don't know if this is one of your bits and pieces or not. But do you know what percentage of America's carbon-based energy comes from foreign countries?

Mr. CRUICKSHANK. Not carbon-based overall. About 65 percent of our oil comes from foreign countries, and about 15 percent of our natural gas.

Mr. GOHMERT. Because I am curious. I am very concerned about problems for the Navy in training. I am also concerned about if we get into a war, is the Navy better off dodging a platform and not getting oil from the enemy we are fighting? Or are we better off getting our own oil, and not having to rely on the enemy to supply our Navy with fuel, so that our ships can go fight them? Just, the question arises.

You had mentioned that of all the oil contaminating the coast, as I understand, 63 percent is from natural seepage, is that correct?

Mr. CRUICKSHANK. That is correct.

Mr. GOHMERT. And I need you to help me understand. When you say natural seepage, is that naturally occurring seepage? Or is that natural seepage from around production areas? Could you be more specific on that?

Mr. CRUICKSHANK. Well, oil occurs, as you know, in sediments, many of which are under the sea. And its natural tendency is to rise toward the surface. And where there is some sort of cap rock or structure that blocks it, that is where you get the big pools of oil that you drill for and try and produce.

Where there is no cap rock or structure, it just keeps rising up and bubbles to the surface, and seeps out.

Mr. GOHMERT. Without any man intervening or causing that at all, correct?

Mr. CRUICKSHANK. That is correct.

Mr. GOHMERT. All right. Well, and as I understand, you are currently working with the military off the coast of my state, Texas, correct?

Mr. CRUICKSHANK. We are. There are military operation areas off the coast of Texas. And prior to every lease sale we talk with them, and we design special stipulations on the leases to meet their concerns.

Mr. GOHMERT. Going back just for one question, to the seepage. It is my understanding that production by the United States off our coast actually relieves some of the natural seepage, and allows us to take advantage of it and provide that to people like the Navy, so they don't have to rely on 65 percent of their oil products coming from our enemies. Is that your understanding?

Mr. CRUICKSHANK. That is correct. In areas where we produce, we are pulling the oil out of reservoirs and producing it, so it is not escaping and seeping to the surface in those cases.

Mr. GOHMERT. I do have to express my appreciation for the Navy's optimism that in a time of war, our enemies will provide us with 65 percent to keep our Navy afloat. But I appreciate that my time has expired.

Mr. COSTA. I thank the gentleman from Texas. Our next witness in the order alternating time would be myself. But for the purpose of trying to allow both our colleague to have his testimony, I indicated that I was going to forgo that.

I do want to suggest to Mr. Cruickshank that I will send you questions as it relates to the alternative leasing schemes that have

been discussed in Louisiana and other places. Of course, we have our colleague here from Louisiana who may ask that question.

I do want to talk to you about changings and planning area boundaries, and will submit that question, as well as administrative area boundaries, definition of large spills, the North Aleutian Basin proposal mitigation measures, and some of the issues that you folks have raised with regard to buffer zones and the inner engagement with National Marine Fishery Services. That will have to be received in written statements.

The gentleman from Louisiana is here, and has not had an opportunity to have his five minutes. Mr. Jindal, it is good to have you here.

Mr. JINDAL. Thank you, Mr. Chairman, for conducting this hearing. I want to thank our witness, as well.

I have really got just two categories of questions. I will predicate it by reminding us, last year I introduced the Deep Ocean Energy Resources Act of 2006, a version of which—that bill actually passed the House—a version of which was enacted in the law. That bill recognized the important need to expand domestic offshore oil and natural gas production. It gave coastal states the power to opt out of restrictions on drilling if they wanted. And as a result, it was a strong step toward more affordable and stable energy supplies.

It also, importantly for Louisiana, required revenue from offshore leases to be shared with the coastal states, so that we would have funding for vital needs, such as restoring our coasts, building protection from hurricanes, and other critical infrastructure needs.

The compromise version of that bill ended a 57-year wait for my state to finally receive a share of revenues from the drilling off of our coast. Therefore, this hearing today is of particular interest to those of us from Louisiana.

To the people of my state, the next five-year leasing program means more affordable energy, means more high-paying jobs, means significant revenues. And for the first time, it means we will have money from drilling in the Federal waters off our coast, which is critical to our future.

My two sets of questions. First, the Gulf of Mexico Energy Security Act mandated that the states of Louisiana, Texas, Alabama, and Mississippi would share 37.5 percent of the revenue from all lease sales in the Eastern Gulf of Mexico area and the 181 South area regions, a combined 6.5 million acres.

My first group of questions are, can you tell me when the lease sales for these particular areas are proposed? And an estimate of when the states will be able to receive their share of these revenues?

Mr. CRUICKSHANK. Since these are areas that have not been available for quite some time, we are in the process of doing supplemental environmental impact statements and the other work necessary to hold the lease sales. We expect that the area in the Eastern Gulf of Mexico will be offered in March of 2008, and the 181 South area will be offered in March of 2009.

Mr. JINDAL. And do you have an estimate of when you expect production based on you-all's previous experiences?

Mr. CRUICKSHANK. Based on previous experience, depending on the nature of what they find in the Eastern Gulf, we could see pro-

duction within three to five years. In the 181 South I expect it will take a little bit longer because of the greater distance from existing infrastructure.

Mr. JINDAL. Now, the dates you just shared with the committee, are those the original dates? Or do those reflect a delay from you-all's original timelines?

Mr. CRUICKSHANK. Those are our original timelines. But we do recognize, for the area in the Eastern Gulf, the Act asked us to hold the sale by December of 2007, but we simply didn't have sufficient time to complete the necessary steps for NEPA and other compliance by that time. So we pushed it back to March.

Mr. JINDAL. That brings me to my second question. The states such as Louisiana are counting on this revenue sharing for restoration, hurricane protection, and flood control projects. Therefore, it is critical to us that the sales proceed on a timely fashion, and also it is critical that there is accuracy when it comes to the amount of money collected from the companies and distributed to the states.

Earlier this year there were questions as to whether your agency had the procedures in place and the staff required to do this both accurately and in a timely fashion. Can you give us assurances today that you have the resources you need to do this in a timely fashion, and in an accurate fashion?

Mr. CRUICKSHANK. We believe we do. We are always open to suggestions from folks on how to improve our processes, but we think our processes are good and will continue to improve them to provide you that assurance.

Mr. JINDAL. I will conclude, for the sake of time, with just a couple final thoughts.

One, certainly we are concerned. We would have hoped that there wouldn't have been a delay, but obviously this is very important to our state, I will certainly echo some of the comments made from my colleagues that the offshore Louisiana, Texas, and other coastal states have been happy to host this production to produce energy for the rest of the country. We simply are just looking for an opportunity to repair some of the damage from previous activities, especially when it comes to protecting our coasts.

And I think my colleague is doing a good job of highlighting the need for us to have a domestic reliable source of energy.

I thank the witness, and I thank the Chairman, as well.

Mr. COSTA. I thank the gentleman from Louisiana. And because of today's schedule, I believe it is important that we allow our colleagues an opportunity to testify. We will honor all the members of the Subcommittee's desire to have the responses to written questions, both Congressman Kennedy and I and others have indicated. So we would hope that you would respond to our written questions in a timely fashion.

Mr. CRUICKSHANK. I would be happy to.

Mr. COSTA. And, Mr. Cruickshank, I suspect we will be having further interaction with you and the Minerals Management Service. And we hope that we can be more constructive in some of the criticisms that I echoed in figuring out how we might solve some of these issues, to get a more accurate view of the challenges you face, and our nation has faced, as we deal with this very important issue.

Mr. CRUICKSHANK. Thank you, Mr. Chairman. I look forward to working with you.

Mr. COSTA. And congratulations on your new appointment.

Mr. CRUICKSHANK. Thank you.

Mr. COSTA. All right. We are going to deviate a little bit from our agenda. Congressman Moran was to be scheduled with our earlier two Members, and unfortunately had a commitment that delayed him. So we are looking forward to hearing his comments and thoughts as it relates to this important issue. And we thank you for your patience.

He represents, I think as many of us know, an important part of northern Virginia. Actually, he represents many Members of Congress and staffpeople who either live full time or list part time in his district.

And it is good to have you here, Congressman Moran.

STATEMENT OF JIM MORAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. MORAN. Thank you very much, Mr. Chairman. I do appreciate the opportunity to testify today. And of course, I appreciate the overall objective of reducing our dependency on foreign, unstable sources of energy. I think we all support that objective.

But I do not think that we will get there by lifting the moratorium on drilling off the Atlantic and Pacific coasts. Lifting the moratorium, however, will invite great harm to established fishing and tourism industries, as well as the environment. And off the coast of Virginia, as has already been mentioned, it will interfere with the U.S. Navy's Virginia Cape operation area.

The Chesapeake Bay and Virginia's coastal communities generate billions of dollars in economic activity. Just one city, Virginia Beach, whose Mayor strongly opposes lifting the moratorium, hosts more than 3 million visitors each year, and generates more than $1.4 billion in economic activity. Fishermen haul more than 824 million in saltwater catches annually. And in fact, most of the income from communities along the Chesapeake Bay and eastern shore are tied to their coast.

Bristol Bay in Alaska is the ecological wonder that sustains a $2 billion commercial fishing industry, and is home to the world's largest wild sockeye salmon run, as well as a vital fishery for halibut, red king crab, and pollock. The Chukchi and Beaufort Seas on the North Slope are known as America's polar bear seas, and they provide essential habitat for a fifth to a sixth of the world's remaining wild polar bears. These communities and their economic livelihood are also at risk from oil and gas drilling.

The suggestion is that the drilling off Virginia's coast be for gas only. But the drilling procedure is the same, and involves massive amounts of waste mud that contains toxic metals, such as mercury, lead, and cadmium. Waste mud is thought to be the leading source of mercury poisoning in the Gulf Coast. Drilling operations also discharge hundreds of thousands of gallons of what is called produced water that contain a variety of toxic pollutants, including benzine, arsenic, lead, naphthalene, zinc, and toluene. They can also contain varying amounts of radioactive material.

Just a few more environmental statistics, since my staff has come up with so many of them I hate not to use them. There are tons of air pollutants that are generated by these operations, as well. A typical exploration well generates some 50 tons of nitrogen oxide, 13 tons of carbon monoxide, six tons of sulphur dioxide, and five tons of carbon monoxide. In addition, drilling can trigger the uncontrolled release of methane hydrates, which is a greenhouse gas that is 20 times more potent than carbon dioxide.

I have several pages of statistics. I am not going to report any more of them, or take any more time to share them with you, and I suspect the panel is aware of it. But there is good reason why people are very much concerned about opening new oil and gas areas.

There were 73 incidents in the last 20 years that resulted in more than 3 million gallons of oil spilled from Outer Continental Shelf oil and gas operations.

The main thing I want to emphasize is that we don't think that more offshore drilling will solve our energy problems. In other words, it won't accomplish the objective that we share.

It has been estimated by the experts that the amount of natural gas and oil recoverable from the Outer Continental Shelf will not reduce our prices materially. For one thing, it takes too long to develop a natural gas field to affect prices in the short term, because it takes one to three years to develop a field. But there isn't enough oil and gas in the areas that we are talking about to appreciably influence production and consumption.

The Department of Energy said that the price difference if we were to drill in all of the areas under the moratorium would lower natural gas prices by about four cents per thousand cubic feet by the year 2020. A study found that exercising existing leases offshore, where drilling is already allowed, completing a gas pipeline from the North Slope in Alaska and siting more liquified natural gas terminals will do much more to increase supply and lower prices than anything that is recoverable from the currently restricted areas.

The vast majority, 80 percent of the nation's undiscovered but technically recoverable Outer Continental Shelf oil and natural gas is located in areas that are already open to drilling. According to the Interior Department, there are 479 trillion cubic feet of reserves that are already available, and we are only talking about 86 trillion that are considered within this moratoria area.

I need to conclude this. But the point is that we are talking about 19 billion barrels of oil, compared to 101 billion barrels of oil already available. And, as I say, it is 86 versus 479 trillion cubic feet, in terms of what we would be making available versus what is already available, if we choose to drill for it.

Let me conclude with the other thing that is particularly specific to the Virginia beach, and I think rather compelling.

Mr. COSTA. Please.

Mr. MORAN. The fact that the Navy has said unequivocally that they cannot support the proposed lease sale areas within the mid-Atlantic planning area off the coast of Virginia. There are very sensitive operations, very essential operations that take place here. And so they did write that letter that I think made it very clear

they would oppose this, and that is one more reason I would oppose it as well.

Thank you.

[The prepared statement of Mr. Moran follows:]

Statement of The Honorable James P. Moran, a Representative in Congress from the State of Virginia

Good morning and thank you for the opportunity to testify at today's hearing on the Minerals Management Service's Five Year Program for Oil and Gas Leasing on the Outer Continental Shelf.

I appreciate and support the overall objective of reducing our dependency on foreign unstable sources of energy. We will not get there by lifting the moratorium on drilling off the Atlantic and Pacific coasts.

Lifting the moratorium, however, invite great harm to established fishing and tourist industries and the environment. And, off the coast of Virginia, it will interfere with the U.S. Navy's Virginia Capes Operations Area.

The Chesapeake Bay and Virginia's coastal communities generate billions of dollars in economic activity. Just one city, Virginia Beach, hosts more than 3 million visitors each year and generates more than $1.4 billion in economic activity. Fishermen haul more than $824 million in saltwater catches annually.

And, upwards of half of the income of communities along the Chesapeake Bay and Eastern Shore are tied to their coasts.

Bristol Bay is the ecological wonder that sustains a $2 billion commercial fishing industry and is home to the world's largest wild sockeye salmon run as well as a vital fishery for halibut, red king crab, and Pollock.

The Chukchi and Beaufort Seas are known as America's "Polar Bear Seas," and provide essential habitat for one-fifth to one-sixth of the world's remaining wild polar bears. These communities and their economic livelihood are at risk from oil and gas drilling.

Environmental Harm

It doesn't matter if its oil or gas, the drilling procedure is the same and involves massive amounts of waste mud that contains toxic metals, such as mercury, lead and cadmium. Waste mud is thought to be the leading source of mercury poisoning in the Gulf coast.

Drilling operations also discharge hundreds of thousands of gallons of "produced water" that contain a variety of toxic pollutants including benzene, arsenic, lead naphthalene, zinc and toluene. They can also contain varying amounts of radioactive material.

Tons of air pollutants are also generated by these operations. A typical exploration well generates some 50 tons of nitrogen oxides, 13 tons of carbon monoxide, 6 tons of sulfur dioxide and 5 tons of carbon monoxide. In addition, drilling can trigger the uncontrolled release of methane hydrates, a greenhouse gas that is 20 times more potent than carbon dioxide.

More harm is caused by the infrastructure needed to support a drilling operation. Miles of pipeline and onshore processing and refinery plants are responsible for destroying hundreds of miles of wetlands and sensitive coastal habitat along the Gulf coast. And, I have not even mentioned the potential harm caused by oil spills.

According to the Interior Department between 1980 and 1999 there were 73 incidents that resulted in more than 3 million gallons of oil spilled from OCS oil and gas operations. Minor spills occur all the time, a major spill would be a catastrophe that would permanently injure productive fisheries and wreak havoc on the tourist industry.

More Offshore Drilling Won't Solve our Energy Problems

The natural gas and oil estimated to be recoverable from the Outer Continental Shelf will not solve our high natural oil and gas prices. It simply takes too long to develop a natural gas field to affect prices in the short term (1-3 years).

Natural gas from areas currently off limits to drilling will not reduce prices in the long term either, since there is not enough gas there compared to either annual U.S. production or consumption.

A 2001 Energy Information Agency study: U.S. Natural Gas Markets: Mid-Term Prospects for Natural Gas Supply (SR/OIAF/2001-06) compared the price of natural gas with the OCS moratoria areas kept out of production and the price of natural gas if all the moratoria areas were opened for drilling in the 2007-2012 MMS 5 Year Plan. In this study DOE's National Energy Modeling System (NEMS) predicted that

the price difference for drilling in all moratoria areas would lower natural gas prices by about 4 cents per thousand cubic feet in 2020.

The study found that exercising existing leases offshore where drilling is allowed, completing a gas pipeline from the North Slope in Alaska and siting more Liquefied Natural Gas (LNG) terminals will do more to increase supply and lower prices than anything recovered from currently restricted areas.

The vast majority (80 percent) of the nation's undiscovered but technically recoverable OCS oil and natural gas is located in areas that are already open to drilling. According to the Interior Department's 2006 Report to Congress: Comprehensive Inventory of U.S. OCS Oil and Natural Gas Resources, there are an estimated 86 trillion cubic feet (TCF) of undiscovered technically recoverable natural gas resources in all OCS areas withdrawn from leasing compared to 479 TCF of reserves, reserve appreciation and undiscovered technically recoverable resources within the total OCS belonging to the U.S.

For oil, there are an estimated 19 billion barrels of undiscovered technically recoverable oil in all OCS areas withdrawn from leasing compared to 101 billion barrels of oil reserves, reserve appreciation and undiscovered technically recoverable resources within the total OCS belonging to the U.S. In other words, the potential gas and oil now off limits constitutes about 20 percent of all recoverable oil and gas thought to exist in the OCS.

The question has to be asked, why are we opening up new areas when trillions of cubic feet of natural gas and billions of barrels of oil can be found in proven reserves that are available but have not yet been brought into production?

There are cheaper, cleaner alternatives

Over the past 33 years there have been at least five large energy price shocks. Each shock has triggered a policy debate on measures to mitigate the economic effects of future shocks and reduce our dependency on foreign sources.

Unfortunately, time and other priorities have eroded past commitments and resolves. In terms of investment, this nation has gone backwards, investing only 20 percent of what we did in total energy and conservation research during the early 1980s. Boosting domestic production of fossil fuels is not the way to go.

We are 5 percent of the world's population and consume close to 25 percent of the world's energy. We are also long past peak production of our fossil fuel resources.

The only realistic way to close the gap between domestic production and consumption is through the aggressive pursuit of conservation, alternative technologies and cleaner renewable fuels.

Improving energy efficiency is the key to minimizing the impact of energy shocks on the overall economy.

The federal government can play a critical role by setting standards that reduce consumption and supporting research that yields greater energy efficiencies and cleaner alternative sources of energy.

Unfortunately, opening up our last reserves and revisiting past energy production policies will fail to improve our situation and are self-defeating over the long term.

National Security Concerns

Finally, let me stress a concern that the U.S. Navy has raised with the Interior Department's draft Oil and Gas leasing program off the coast of Virginia. The Navy has, "consideration concern, however, with the proposed lease sale areas within the Mid-Atlantic Planning Area of the cost of Virginia."

To quote further, "the proposed area lies within the Virginia Capes (VACAPES) Operation Areas where the Navy's training and test and evaluation community conducts significant activity."

Bottom line, this proposal invites significant economic and environmental injury to our coastal regions, and in Virginia's case compromises Naval operations but yields less potential natural gas than is now available but not yet in production.

I urge my colleagues to support legislation to maintain the moratorium and continue to protect our coastal waters.

Thank you.

Mr. COSTA. Well, thank you very much, the gentleman from northern Virginia. And we appreciate your patience. And we will move on now with our final panel of witnesses, and see you on the Floor.

Mr. MORAN. Good. Thank you, Mr. Chairman.

Mr. COSTA. Our next panel is one current and one former legislator, also from Virginia. This must be a Virginia morning. The Honorable Frank Wagner, a Virginia State Senator, representing I guess, among other areas, Virginia Beach. The Honorable Albert Pollard, former Member of the Virginia House of Delegates. Having been a former state legislator, I am always pleased to see members from state legislatures come to Washington, and to testify.

In addition to that, we have a Mr. Bob Juettner, who is a Borough Administrator for the Aleutians East Borough of Alaska. And Mr. Whit Sheard, the Alaskan Program Director for the Pacific Environment.

So do we have all of our witnesses here? Good. Why don't we begin with State Senator Frank Wagner, representing, I guess in parts, Virginia Beach. And I look forward to your testimony.

As I have suggested to the other witnesses, we like to keep within the five-minute rule. That is why those lights are there in front of you. Green begins, and then when the yellow light comes on, you have about a minute to wind up.

So we look forward to your testimony, Mr. Frank Wagner.

STATEMENT OF THE HON. FRANK WAGNER, STATE SENATOR, STATE OF VIRGINIA

Mr. WAGNER. Thank you, Mr. Chairman, and Congressman Pearce, and members of the committee. I appreciate this opportunity to testify in front of you today.

First of all, I want to thank or congratulate the U.S. Department of Interior MMS for the inclusion of Virginia into the initial five-year plan; and after two years of fairly exhaustive public hearings and comments from citizens of Virginia, as well as all over the nation, the overwhelming positive response that they have received in support of maintaining Virginia into the five-year plan, and ultimately the decision that is before you today, that keeps Virginia within the current five-year plan under the MMS program.

We in Virginia truly appreciate that as a result of the actions of the General Assembly over 2005/2006, and indeed in the Senate of Virginia into 2007, the indication that we would like the opportunity to find out what is off the coast of Virginia, and perhaps enhance Virginia's position in there.

And I can tell you, Mr. Chairman, this is the result of an exhaustive study of a program that I chaired: a committee that studied the needs of manufacturers in Virginia was the ultimate genesis of this particular program. And we had lost 70,000 jobs in Virginia, manufacturing jobs, over the last 10 years or so, and became very, very concerned, because we think that is an important and instrumental part of Virginia's overall economy.

And so we started to look at things we can do in Virginia. And we very much pride the fact in Virginia that Forbes Magazine has re-ranked us again the number-one state in the Nation to do business in. We recently received the number-one ranking to locate a business in; and from another organization, the number-one state in the Nation to raise a family in. And so we think we are doing some things right in Virginia. But we are concerned. We recognize there are 49 other states that would love to be where Virginia is ranked by these magazines, and we understand that if we are

going to maintain its competitive posture that we think it is a great state, we are going to need to continue to do everything that we can within the confines of Virginia to do that.

Certainly one of the areas that we looked at in the genesis of the original bill that asked that we lift the moratorium or let Virginia go offshore was the needs of manufacturers. Natural gas, supply of natural gas, is absolutely instrumental to many of the manufacturing businesses in Virginia today. We became very concerned about the skyrocketing cost. We saw basically a constant supply. As other sources were discovered, new sources were diminishing.

But we saw a huge increase in demand, primarily from the electric generation capability that has resulted in driving the cost up of natural gas, not just in Virginia, but indeed all over the nation, and its necessary fallout.

One of the largest users of natural gas, Mr. Chairman, is the Honeywell plant down in Hopewell, Virginia. They use, I believe they are one of the largest users east of the Mississippi, 50 million cubic feet a day. Their primary product out of that plant is fertilizer, so we came to understand the tie-in between natural gas and agricultural commodities. And we are very, very much concerned with the skyrocketing costs there.

So we went ahead and proceeded, and went forward with this bill. It ultimately showed up on the Governor's desk. He took that opportunity to veto it, because he additionally wanted to study that issue. And that study was released early in 2006.

As a result of that, we in Virginia went back and said really, the offshore component is a very, very important piece of the puzzle, but not the total solution to the energy problems that we look forward to in Virginia. And so we moved forward with a comprehensive energy plan during the 2006 session of the General Assembly that was ultimately enacted into legislation. That encompasses a broad variety of things. But it generates on the premise that, in the best interest of Virginia, that Virginians produce energy for Virginian industry and Virginian homeowners to the maximum extent possible.

We believe that is probably a good policy for this country to follow, and the whole premise of the plan was built on that. And it encompassed both conservation, as well as supply.

But as we went forward and looked at it, Hurricane Katrina happened, and all of a sudden we found ourselves in a position where natural gas was just not available at any price in the Commonwealth, or certainly at the prices it was available made it such a cost that the various manufacturing facilities either had to shut down or severely curtain their operations until we got through this.

And so we came to understand the lack of redundancy in our natural gas supply system in Virginia, and we also felt that that offshore component would provide a key additional source of natural gas that is so vital to our economy. And actually, not coming from the Gulf of Mexico, but again, generating off the shores of Virginia. We felt that was very, very important to move forward with.

I also want to echo some of the comments you heard from Congresswoman Drake. As we move forward, as you move forward, I would ask you to look at one component of that, which is the concave drawing of MMS that really severely has restricted those

lands available to Virginia. And the second part of that is to genuinely look forward to the revenue-sharing aspect of many of the bills that were passed here recently. We think that is an important component as you move forward to consider additional lands for Outer Continental Shelf leasing, that you move forward also with this plan.

And with that, Mr. Chairman, I realize I probably went off script. Those comments are in the record, but I would be delighted to answer any questions you may have.

[The prepared statement of Mr. Wagner follows:]

Statement of The Honorable Frank W. Wagner, Senator, Senate of Virginia

Thank you, Chairman Costa, Congressman Pearce, for inviting me to testify before you today regarding the Mineral Management Service's Five Year Program for Oil and Gas Leasing for the Years 2007-2012, specifically the decision to include Virginia as a possible site for offshore exploration and recovery of natural resources. Since Virginia remains a possible offshore site in the program, two key points of interest to the Commonwealth are a correction to the mapping of Virginia's offshore boundaries and the development of a revenue-sharing plan as the program is implemented.

In my vision, the recovery of offshore natural resources is just one component of a broad-based energy plan that emphasizes conservation measures as we increase energy supplies to meet demand. The best energy policy for the nation is, to the maximum extent possible, Americans producing energy from American resources for use by American industries and in American homes. While I had hoped Congress would put forth this policy that has not yet happened. Thus, we in Virginia took it upon ourselves, through the newly created Virginia Energy Plan, to ensure that Virginians will produce our energy from Virginia resources for use by Virginia's industries and citizens. Virginia's approach is two-fold. We will take the lead in conservation efforts and in developing clean, cutting-edge energy sources for Virginia's future energy needs.

To that end, Virginia has adopted Renewable Portfolio Standards and we will continue to move aggressively in our conservation efforts, which include constructing green buildings and mandating that a percentage of energy used by state government come from renewable resources. Unfortunately, many of the very same environmental groups that demand the development of non-fossil fuel energy sources use every opportunity to block renewable energy projects in Virginia.

In my position as an elected official in Virginia, I pledge to do all in my power to position the state as the nation's leader in energy development, given the access and supply of natural resources available in the Commonwealth. Our offshore resources are a key component in Virginia's energy future. A reliable and affordable source of clean-burning, environmentally friendly natural gas will assist in the near term as we develop alternative energy sources for future use.

Hurricane Katrina illustrated—in stark relief—the extreme vulnerability of Virginia's energy supply, because we have only one natural gas pipeline supplying the entire economic structure in the Commonwealth. We as policy makers now know that the supply of natural gas, which is absolutely essential to the economy, is so fragile that it can be totally compromised by an act of nature or perhaps by an act of terrorism. To leave our citizens in such an exposed posture is inexcusable. As long as I am fortunate enough to serve the Commonwealth, I will work to ensure that our citizens are not at risk of losing their jobs or the well-being of their families because we are unable to guarantee an available energy supply.

Mr. Chairman, as you may know, the largest single consumer of natural gas east of the Mississippi River is located in Hopewell, Virginia. Honeywell produces the necessary ingredients for fertilizer and many plastics—the basics for agriculture and manufacturing. I have spent the last two years touring manufacturing plants in Virginia. We have hard-working, union employees who are producing paper, wood products, trucks, pharmaceuticals, fertilizer, and plastics—products essential to a vibrant economy in Virginia. One common link in all of these plants is the need for reliable and affordable natural gas, which powers industry but also serves as a key component in many of the manufacturing processes.

Mr. Chairman, I have fought, and will continue to fight, to put infrastructure in place for Virginia to tie in to the liquid natural gas terminal in Cove Point Maryland. I have fought, and will continue to fight, to add an additional LNG terminal

in Virginia. I have fought, and will continue to fight, to open up the waters off Virginia's coast for exploration and recovery of natural gas. All of these efforts are to ensure reliable, affordable energy resources, which in turn support business and industry in Virginia so that any Virginian who wants a job will be able to work and contribute to our nation's economy.

I applaud the Department of the Interior's Minerals Management Service for listening to Virginia over the last three years, during which the Virginia General Assembly, in a bipartisan effort, overwhelmingly supported legislation to open our coast. Keeping Virginia in the five year program is consistent with the desire of the Virginia General Assembly and over 70% of the people in Tidewater, Virginia, who have voiced firm support for offshore exploration and drilling off Virginia's coast in polls conducted by several elected officials. 75% of Americans, in polling done by MMS during the development of the five-year program, also supported offshore efforts.

Mr. Chairman, I hope Congress will respect the will of the General Assembly and the people of Virginia and allow Virginia to continue in the Department of the Interior's Minerals Management Service's 2007-2012 program.

In closing, Mr. Chairman, I believe of all the problems facing our nation, energy represents the biggest challenges, potential crises and threats to our economy, foreign policy and national security. But, Mr. Chairman, energy also represents the greatest opportunities to put Americans to work and reinvigorate the economy. Unlocking untapped resources, expanding proven technology and empowering the brain trust in our research facilities will move us to the next generation of energy resources. There must be a paradigm shift in the way our nation operates. Congress can, and must, seize this opportunity to move the nation forward to true energy independence.

Mr. Chairman, Mr. Pearce and members of the subcommittee, thank you for allowing me to speak today on behalf of the citizens of the Commonwealth of Virginia.

Response to questions from Chairman Costa submitted for the record by The Honorable Frank W. Wagner, Senator, 7th District, Senate of Virginia

Why does Virginia object to the administrative boundaries drawn in the ocean by MMS?

As related to me, the Department of Interior MMS used a computer program to define the states' boundaries beyond the existing three-mile limit currently established by law. This computer program looks at the curvature of the coastlines. When data on the coastline curvature is plugged into the program, those states that have coastlines pushing out into the ocean (convex mold) continue with boundaries at angles sometimes 20-30 degrees north and south of a true east-west boundary. Conversely, those states with a depression-type coastline (concave mold) have diminished angles. Virginia is one of the states with a concave coastline. Consequently, Virginia's area of potential resources does not even come close to the outer limits of the continental shelf. (See attached diagrams).

Interestingly, these resources include not just potential revenue sharing for any possible oil/natural gas deposits, but offshore renewables, aquaculture, minerals and other natural resources.

The existing three-mile Virginian ocean waters extends directly due east of our coast on both our northern and southern borders. These waters and their ocean bottoms are part of Virginia. Beyond three miles, both Maryland and North Carolina have those rights extended by the federal government to start at our northern and southern borders all the way to the outer continental shelf. We have effectively lost thousands of square miles of resource rights in waters directly off Virginia's coast (as close as three miles) to our neighboring states.

This is clearly objectionable to Virginia.

Specifically, how would Virginia be affected by these boundaries?

1. Virginia's universities have been developing plans to produce a wind farm off the coast of Virginia (in a Class 6 Wind Zone) that could potentially produce 20% of all power used in Virginia. Under the existing administrative boundaries, much of this wind farm would be in North Carolina waters. New regulations (including revenue sharing) are currently being drafted at MMS for royalties from these properties and North Carolina would be a major beneficiary of Virginia's efforts.
2. If existing moratoria are lifted for development of offshore under seabed fossil resources (i.e. oil and natural gas) and if revenue sharing with states was part of the program (as is the case in the most recent Congressional action), then

Virginia stands to lose tens of millions of dollars in potential revenue, even though onshore receiving and processing plants would, in all likelihood, be located in Virginia.

3. Huge strides are being made in harnessing potential energy from offshore waves and currents. Once again, Virginians would find themselves in North Carolina or Maryland waters, even though they are directly off Virginia's coast.
4. These boundaries also affect all other natural resources including aquaculture, sand, methane hydrates, fish and crustaceans. To exclude Virginia's input into activities as close as three miles of our coast is reprehensible.

Does Virginia have a position on how these lines should be drawn?

Most definitely. I can only speak as a senator from Virginia Beach as to Virginia's position, however I have asked both Governor Kaine and Attorney General McDonnell to provide you with the official Virginia position.

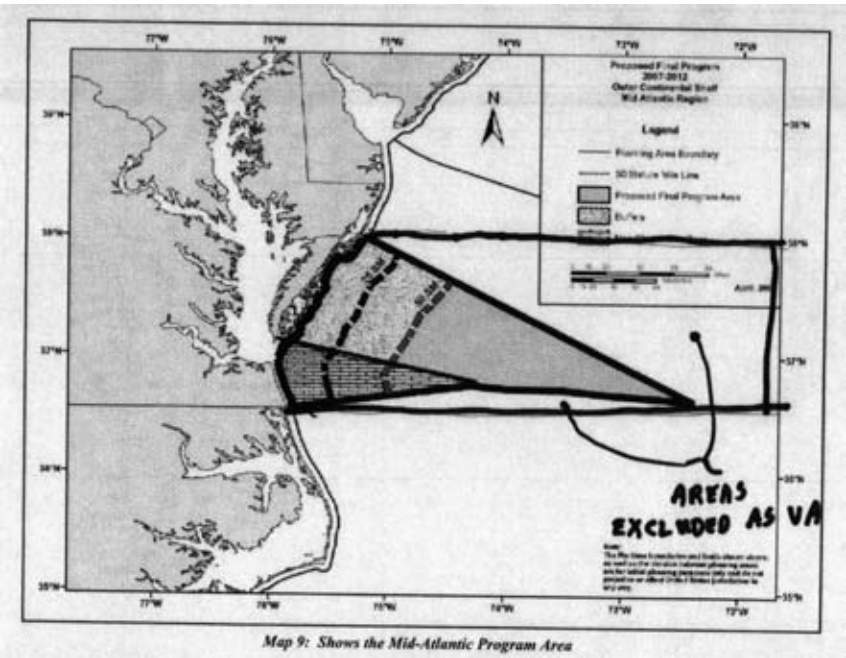
I believe these lines should extend due east, directly to the edge of the Continental Shelf. Virginia does not seek control over waters directly off the coast of Maryland or North Carolina, nor do we want these states to have control over the waters directly off our coast. In fact, the U.S. House of Representatives passed legislation last year that, among other issues, corrected these boundaries in the manner described above. Unfortunately, the Senate did not act on this legislation.

There is ample precedent for Virginia's position. The existing coastal waters (out to three nautical miles) extend directly east of Virginia's borders with our neighboring states. The Founding Fathers drew direct east-west borders between Virginia and North Carolina and the Virginia-Maryland Eastern Shore. Extending these lines out to the edge of the continental shelf is the only fair and logical method to follow.

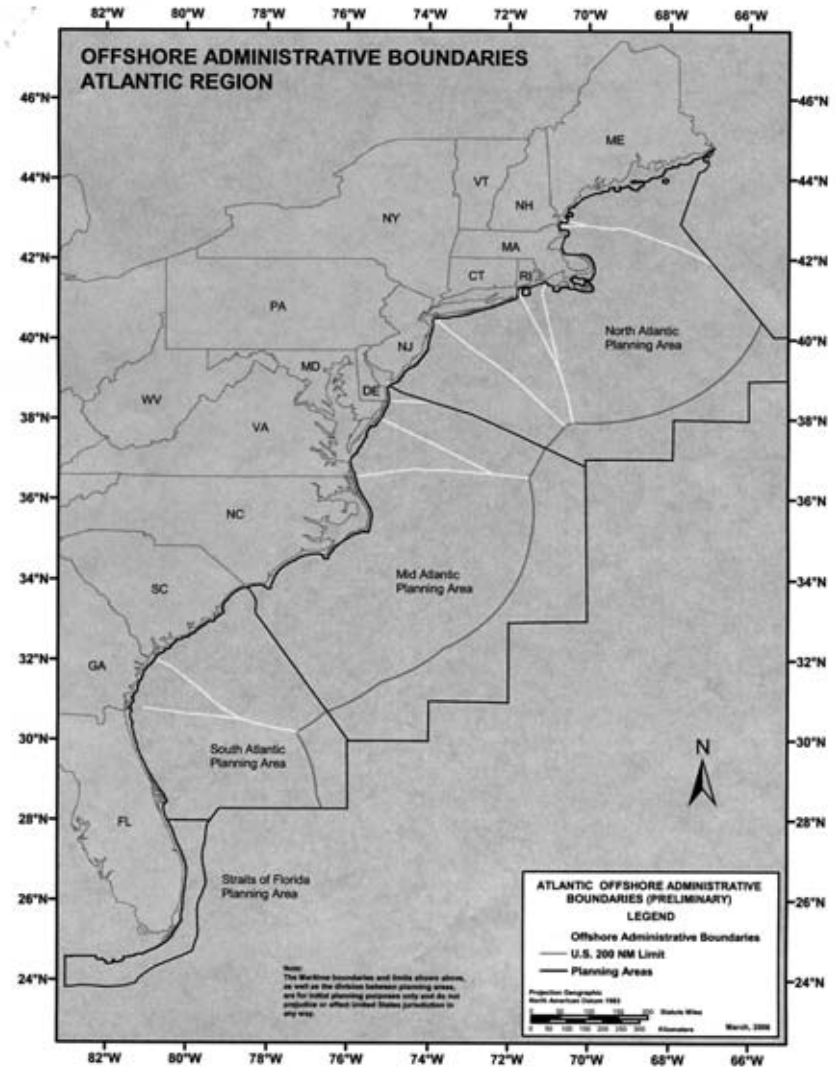
The Department of the Interior has stated that the department is bound by their administrative procedures and Congress must direct any change to these boundaries.

It is my sincere hope that, regardless of how you act on other issues relating to the outer continental shelf, Congress acts decisively to correct the current administrative boundaries.

Chairman Costa, thank you for allowing me to provide additional information to the subcommittee.



Map 9: Shows the Mid-Atlantic Program Area



Mr. COSTA. Thank you very much, State Senator Frank Wagner. And when we get to the question round, I will have an opportunity to ask those questions. And we certainly will take your written statement and submit it for the record.

The next witness is a former member of the Virginia House of Delegates, Mr. Albert Pollard.

STATEMENT OF THE HON. ALBERT POLLARD, FORMER MEMBER, VIRGINIA HOUSE OF DELEGATES, MOLLUSK, VIRGINIA

Mr. POLLARD. Thank you so much, Mr. Chairman. It is good to be here.

Mr. Chairman and honorable members of the committee, I appreciate the opportunity to speak on this important subject, to the removal of the ban on leases for oil and gas drilling off the Virginia coast.

As was said, my name is Albert Pollard. For six years I was a Virginia legislator from the Chesapeake Bay area. The voters treated me very well. I went out on my own accord.

I am also a former Chairman of the Board——

Mr. COSTA. That is preferable.

Mr. POLLARD. Yes, sir, always is. Never get carried out feet first.

Chairman of the Board of a small industrial company with a heavy reliance on gas-fired industrial ovens. As a Virginian, I am going to refrain, keep my remarks to the Virginia portion of the plan.

As a reasonable person, I can't sit here and tell you that opening up the Virginia coast for exploratory drilling immediately leads to an Exxon-Valdez-type disaster. However, it is clear to me that this proposal is misguided.

This is because opening up the OCS to exploratory drilling will do almost nothing to resolve the energy crisis in this country, but could create significant environmental crises along the Virginia coast.

According to the EIS, it will likely take two five-year leases before any leaseholder has a prospect of extraction. By that time, after the year 2020, the DOE predicts that the price of natural gas will level off anyway. Indeed, the DOE recently predicted that the price of natural gas will be $3.26 per thousand cubic feet in 2020 with the moratorium, and just four cents less with the moratoria areas opened. To the extent this is price related, it could easily be drowned out by activity in the Middle East, or even a good hurricane.

Now, I have been in the manufacturing sector, and I realize we must find new solutions to rising energy costs before 2020, when new energy might, just might, come on line. I was in the glass imprinting business, where we used gas-fired ovens. But pretty soon, in that whole industry segment, we might not even have those, because of inks which are going to be cured by ultraviolet lights.

Another industry which has just been getting hammered with high gas prices recently is the wood-drying, wood products industry, which is—and there is a locally owned wood products company which is having great pressure from rising energy costs. So they just brought on line two state-of-the-art wood-chip-fired kilns which are now saving 1.2 million gallons of propane and 22,000 gallons of diesel fuel a year.

And most impressively, they didn't wait for any governmental action solutions; they brought these on line in a little over a year, and now have a new renewable fuel, which is cutting edge, carbon-neutral, and environmentally friendly. In business, a dollar saved is a dollar earned; and the same is true with conservation. Energy saved is as good as, better really, than energy tapped.

So compare these very safe alternatives, which have certainty, to the opening of drilling off the Virginia coast, which contains much uncertainty.

Now, there is a general perception that the energy policy passed by the Virginia General Assembly encourages offshore exploration of gas. In fact, in Virginia's energy policy, there is actually ambiguity. Indeed, Section 67.102 of the Virginia Code specifically states that the policy shall "ensure that energy generation and delivery systems be located so as to minimize impacts on pristine natural areas."

Now, it is also true that Virginia's energy plan, also adopted in 2006, does call for limited exploratory natural gas drilling; but the plan is incompatible with the stated goals of the policy of protecting pristine areas. And the Virginia coast is a pristine area. It is remarkably pristine. Outside of Senator Wagner's wonderful area of Virginia Beach, with its billions of tourism dollars, the Virginia coast, particularly the eastern shore, represents the largest, most intact coastal wilderness on the U.S. East Coast.

My wife's people are from over there, and there are over 75 miles of undeveloped coastline. And every one of the Barrier Islands is under conservation ownership, with over 60,000 acres in conservation ownership.

The area supports the largest hard-clam aquaculture industry on the Atlantic coast, and, as was aforementioned by Congressman Moran, Virginia's tourism industry is huge.

Having drilling, exploratory or otherwise, within one day's tide flow, the area is clearly in contrast with the Virginia energy policy—not the plan, but the policy—which was adopted at the same time. Spills, substantial mud plumes, underwater seismic activity, and drilling all contribute to the uncertainty of the area, and have been well documented in the past.

Indeed, the EIS, associated with the five-year plan, assumes an eventual 1500-barrel—that is 75,000 gallons—spill from tanker or barge activity.

So in conclusion, it is my view that the section of the Minerals Management Service's five-year plan that would open up coastal Virginia exploration, coastal exploration, is misguided, and I hope that the Subcommittee agrees.

Thank you so much, Mr. Chairman.

[The prepared statement of Mr. Pollard follows:]

Statement of The Honorable Albert C. Pollard, Jr.,
Former Member, Virginia House of Delegates, Mollusk, Virginia

Mr. Chairman and Honorable Members of the Committee:

Thank you for the opportunity to speak on the important subject of the removal of the ban on leases for oil and gas drilling on the Outer Continental Shelf (OCS) off of the Virginia Coast.

My name is Albert Pollard and I am speaking to you with several different hats. I have been a former Virginia legislator, and was also, until recently, Chairman of the Board of a small glass imprinting business with heavy reliance on gas fired industrial ovens.

As a formerly elected official, I subscribed to the common law theory of "The Public Trust Doctrine". The Public Trust Doctrine holds forth the idea that Natural Resources of this country are held in trust by the government for the use, maintenance and enjoyment of all the public. In this theory, you, the elected officials are trustees—just as one is a trustee in a fiduciary sense—of the Natural Resources.

As trustees, your job is to balance the competing interests and to do what is right for those natural resources.

Now, I am a reasonable person and I realize that these are complex issues. As a reasonable person, I can't sit here and tell you that opening of the OCS for explor-

atory drilling leads to an immediate danger to the Virginia coast, and that an Exxon Valdez type scenario is as sure as the fact that the sun will rise in the morning.

However, after having made an extensive study of the evidence, it is clear to me that this proposal to open up Virginia's coast to oil and gas exploration is misguided. In short, opening up the OCS off the Virginia coast for exploratory drilling will do almost nothing to resolve the energy crisis in this country but could create a significant environmental crisis along the Virginia coast.

And, let's face, this proposal is not only about exploratory drilling for gas as Virginia Governor Kaine recently wrote in a February 2007 letter to MMS. Lifting this moratorium is about production scale drilling for oil and gas off the Virginia Coast. The reality is that there is no practical difference between oil and gas exploration, nor is there any significant likelihood that if oil is found, it will not be exploited.

The reality also is that this proposal won't do anything at all to solve our near-term energy crisis because, based on the Environmental Impact Statement it is likely that, two five year leases will be required just for exploration before the leaseholder has any prospect of extraction. Thus, more than likely, Virginians are looking beyond the year 2020 before any possible benefit from this action could take place in terms of more product flow.

In other words, price relief from this drilling, if any, would come at a time when natural gas prices are expected to level off anyway. As was stated recently by the USG Energy Information Administration

"Total U.S. natural gas consumption is forecasted to increase from 22.2 trillion cubic feet in 2005 to 26.1 trillion cubic feet in 2030. Most of the increase is seen before 2020, when total U.S. natural gas consumption reaches 26.3 trillion cubic feet."

With all of its supply and demand information, DOE's National Energy Model Modeling System (NEMS) predicted that the price of natural gas would be $3.26 per thousand cubic feet in 2020 without the gas under moratorium and $3.22 per thousand, or four (4) cents less with access to the additional gas in moratoria areas. This is a predicted price drop of a 1.2 percent.

This is hardly major or even significant price relief.

To the extent this is price relief, it would certainly be drowned out by the marketplace, normal fluctuations, or catastrophic events such as Hurricane Katrina or a sustained violence in the Middle East. These events clearly have more effect on prices than an addition of 5 trillion cubic feet of technically recoverable resources.

As the former chairman of a small manufacturing company, I can say that industry in this country must retool and find new solutions to rising energy costs before the year 2020 when new energy might—just might—come on line from this proposal.

Indeed, in my previous industry sector, the glass imprinting business, there might not even be any gas fired ovens soon—this is an idea unthinkable not too many years ago. Our industry has traditionally fired on wax based inks at around 1100 degrees to create a high quality product which is durable and permanent. In our business model after Costs of Goods Sold and labor, gas was the third highest expense.

However, there is promising new technology which could save significant money. This technology is ink which is cured by exposure to ultra-violet light. Thus, one whole industry segment may soon remove gas from the expense side of its ledger.

Another local company which isn't waiting around for government solutions is Potomac Supply, a local, privately owned wood products business located in my old legislative district. As all folks in the wood drying business, Potomac Supply was having great pressure from rising energy costs.

This family owned company was a large user of liquid petroleum gas in its wood drying kilns. Potomac Supply's solution? This company just brought online two state of the art wood chip fired kilns which are now saving 1.2 million gallons of propane and over $1,000,000 per year.

To me, however, the most significant part of the whole Potomac Supply experience is that whole idea was only conceived of at a conference in Stockholm Sweden some 16 months ago. In a mere 16 months, this company has implemented a new, renewable, fuel which is cutting edge, environmentally friendly and reliable.

But, it is important to remember that new fuels aren't the only way to lower our dependence on non-renewable resources.

In business, a dollar saved is a dollar earned. The same is true with conservation. Energy saved is as good as—better really—than energy tapped.

It is estimated that an annual inspection of a home natural gas heating system—which costs $50-100—can help reduce natural gas use in that system by up to five percent.

Another example of saving consumption? According to recent Congressional testimony from the Sierra Club, "By 2017, the renewable energy standards already enacted by states such as New Mexico, California and Texas will produce as much renewable energy as would be produced by gas fired power plants using 0.6 trillion cubic feet of gas per year."

Compare these very safe alternatives which have certainty to the opening of drilling off the Virginia coast which contains much uncertainty and doesn't meet current Virginia law.

Doesn't Meet Law

The Proposed Final Program Outer Continental Shelf Oil and Gas Leasing Program, released in April 2007 by the Department of Mineral Management Service makes a grievous error, which seems technical in nature, but is in fact very important

On page 6 of the PFP, there is the mistaken notion that the Commonwealth "as called for in Virginia's legislated energy policy" requests a 50 mile buffer off the Virginia coasts. This is consistent with a general perception that the Energy Policy passed by the General Assembly of the Commonwealth of Virginia, of which I am a former member, encourages offshore exploration of oil and gas.

In fact, no such request takes place in Virginia's energy policy and any drilling off the Virginia coast is contrary to Virginia's Energy Policy as passed by the General Assembly. This policy is enumerated in 12 points in Sub-section A of § 67-102 of the Code of Virginia.

The only mention of drilling is in point number 12 of the aforementioned section:

12. [the policy shall] Ensure that energy generation and delivery systems that may be approved for development in the Commonwealth, including liquefied natural gas and related delivery and storage systems, should be located so as to minimize impacts to pristine natural areas and other significant onshore natural resources, and as near to compatible development as possible.

In fact, subsection C of Section 67-102 states that "All agencies and political subdivisions of the Commonwealth, in taking discretionary action with regard to energy issues, shall recognize the elements of the Commonwealth Energy Policy and where appropriate, shall act in a manner consistent therewith."

Clearly, inclusion of proposed lease sales off coastal Virginia cannot be justified on the basis of Virginia law.

While it is true that Virginia's Energy Plan, adopted in 2006, does call for limited exploratory, natural gas drilling, this Plan is wholly incompatible with the stated goals in the Policy which precedes it in the Virginia Code and should not be used as the justification for the Mineral Management Service's proposal.

Uncertainty in a pristine area.

The Virginia coast—particularly the islands off of Virginia's Eastern Shore—is a pristine area in which millions of private and governmental dollars have been spent as to preserve an area ecologically significant enough to be a part of the United Nations Bioreserve program.

Let's look at the facts:

- Virginia's coast represents the largest, most intact coastal wilderness on the East Coast of the United States, with over 75 miles of undeveloped coastline and thousands of acres of undeveloped barriers islands and tidal marshes.
- All of the coast's barrier islands are under conservation ownership and management and, they total well over 60,000 acres.
- The ecological significance of Virginia's coastline has brought a number of superior designations to this part of the eastern seaboard. Namely, Virginia's protected coastline is a:
  1. United Nations International Man and the Biosphere Reserve.
  2. U.S. Department of the Interior National Natural Landmark.
  3. National Science Foundation Long Term Ecological Research Site.
  4. Western Hemisphere International Shorebird Reserve Network Site.
- Biologically, Virginia's coast is best known for its great abundance and diversity of bird species, including several listed species and many species of concern or special interest. The federally endangered piping plover nests on the barrier islands.
- Barrier islands, along with the coastal estuarine lagoon system, provide globally important stopover habitat for up to 24 species of migratory shorebirds during the spring, fall, and winter
- The coastal salt marshes and barrier islands provide nesting habitat for 90 percent of Virginia's colonial waterbirds, including skimmers, terns, and egrets.

- The barrier island and coastal lagoon tidal wetlands provide important and varied habitat for resident and migratory waterfowl, including key populations of American black duck, greater snow geese, and Atlantic brant.
- Nearshore and intertidal waters also provide important habitat for several species of threatened and endangered sea turtles.
- Last, but not least, this area supports the largest hard clam aquaculture industry on the Atlantic coast.

As previously mentioned Virginia's energy policy specifically states that energy generation and delivery systems be "located so as to minimize impacts to pristine natural areas and other significant onshore natural resources".

Having drilling—exploratory or otherwise—within one good tide flow of this area is clearly in contrast with Virginia law as stated forth in Virginia's Energy Policy. Spills, substantial mud plumes, underwater seismic activity and drilling all contribute to the uncertainty of the future of the area and have all been well documented in the past.

Let me reassert the fact that there is no known instance in which one can look for natural gas and not look for oil. It is also impractical to think that if oil is found, it will not be exploited. The proposal that is before you, therefore, is about oil extraction, not just natural gas exploration. Oil extraction and transport leads to frequent small spills, and an occasional large one.

Indeed, the Environmental Impact Statement associated with the 5-year plan assumes an eventual 1,500 barrel spill from a tanker or barge. Depending on where the spill took place, it could have an enormous impact on Virginia's pristine natural coast. Even at the distance of 50 miles, which provides some degree of protection, oceanographers say that a persistent east or southeasterly wind could drive the spill from 50 miles offshore within 4 days for a wind of 20 mph and within 8 days for a wind of 10 mph. Such winds are not unusual, especially in the early fall.

Moreover, if oil spill degradation products sink, they then may be carried shoreward by the onshore flow along the bottom. If these degradation products reach the vicinity of Chesapeake Bay entrance, they will be drawn into the Bay with the lower-layer inflow. The area of influence of this inflow can reach 20 miles offshore of the Bay entrance. That means that a tanker or other spill within 20 miles could be drawn into the Bay, and enter the slow circulation pattern of Bay waters, with damage occurring along the Bay's beaches in addition to the coastal beaches.

The potential damage to the pristine areas of the Virginia shore, the world-famous Virginia Beach, and the shores of the Chesapeake Bay is just too great a risk for the small amount of benefit that the proposal would bring.

So in conclusion, let me say that: based on the Virginia Energy Policy as passed by the General Assembly; based on the minimal impact that gas and oil exploration would have on energy supply or energy prices; based on the lack of need for this action, and; based on the unacceptable risk to Virginia in case of a spill, it is my view that section of the Mineral Management Service's 5-year plan that would open up to Coastal Virginia to exploration is misguided.

I urge Congress to continue the moratorium and ensure that the Virginia aspects of this plan are not enacted.

Thank you.

Mr. COSTA. Well, thank you, Mr. Pollard. As we do our due diligence, we will certainly take your testimony into account. And we appreciate your making the time and the effort to be here this morning.

Our next witness is Mr. Bob, is it Juettner? Am I pronouncing that correctly?

Mr. JUETTNER. Juettner, please.

Mr. COSTA. Juettner, OK. I am sorry. Mr. Bob Juettner from Alaska. He is Administrator of the Aleutians East Borough, and that is a wonderful part of America. And we are pleased that you took all the time to come all that way, both you, as well as our next witness.

You need to speak directly into the mic there, otherwise it is hard for us to hear. And you know the five-minute rule.

STATEMENT OF BOB JUETTNER, ADMINISTRATOR, ALEUTIANS EAST BOROUGH, ANCHORAGE, ALASKA

Mr. JUETTNER. Thank you. Chairman Costa, Ranking Member Pearce, members of the Subcommittee.

The Aleutians East Borough is a regional government of approximately 15,000 square miles at the end of the Alaska Peninsula, and encompassing the islands of the Eastern Aleutians. It is approximately half mountain, half ocean.

People who live there lived through subsistence and commercial fishing. You access this area of Alaska only by aircraft or by vessel.

In 2000, the census recorded an unemployment rate of 33 percent in our borough, and a poverty rate much higher than that of the national average. We have very few economic opportunities. Those that exist, exist either directly or indirectly around fishing.

Over the last 30 years, the Borough communities of Unga, Belikofsky, Squaw Harbor, and Sanak have disappeared. A community abandoned is not a theoretical construct for us, it is very real. Especially in light of the fact that we have fewer people living in the Aleutians East Borough in 2006 than we had in 1988.

The five-year OCS plan currently proposed would permit oil and gas drilling in the North Aleutian Basin, pending the completion of an environmental impact statement.

The borough supports the lease sale, but only in the context of a very rigorous EIS that builds in strong protective measures that safeguard our fisheries and subsistence lifestyle. The borough will be active in ensuring that proper mitigation measures and environmental protections are built into the final plan for the North Aleutian sale.

I think it is important for people to realize that it is not only the Aleutians East Borough, but it is also the Lake and Peninsula Borough and the Bristol Bay Borough that are involved in this process.

Congress did impose a moratorium in the past in response to the Exxon-Valdez oil spill. When that expired three years ago, we were supportive of the decision. Why? It is simple. Our communities are disappearing. There isn't much economic activity.

Second, and you have heard a lot of testimony on this, the industry is considerably different today than it was in 1989, when the Exxon-Valdez went on the rocks.

And last, I would like to point out that what we are looking for, or what we expect to find, is mostly natural gas, as opposed to oil.

The Aleutians East opposes legislation introduced by Representatives Inslee and Gilchrest to reinstate the moratorium.

We have statements and comments in the media that the bill is supported by Bristol Bay, as if the region is one singular body that speaks with one voice. That is not the case.

In fact, the Bristol Bay Borough and the Lake and Peninsula Borough, the other two regional governments that exist on the Alaska Peninsula, have passed resolutions supporting the inclusion of the North Aleutian Basin in the five-year plan, with proper mitigation.

The Bristol Bay Native Corporation and the Aleut Corporation, corporations formed under the Alaskan Native Claims Settlement Act, that represent all the Alaskan natives in the entire region, are also supportive of this proposed sale with mitigation.

The borough, along with the other entities mentioned and many that are not mentioned, support the proposed five-year program, and are supportive of strong oversight by Congress to ensure the Interior Department complies with all aspects of NEPA.

In my written testimony I have attached about two pages of what we feel are the threshold issues that need to be addressed by Minerals Management Service and other Federal agencies that would take this past our contingent approval to final approval.

A rigorous EIS is a far better approach than to reinstate the moratorium legislatively.

Thank you for your time.

[The prepared statement of Mr. Juettner follows:]

Statement of Bob Juettner, Borough Administrator, Aleutians East Borough, Alaska

Chairman Costa, Ranking Member Pearce, Members of the Subcommittee, thank you for inviting me to testify to present the perspective of the Aleutians East Borough on the Department of Interior's 5 year plan for oil and gas lease sales on the Outer Continental Shelf.

Before I present our perspective on the OCS issue, let me give you some background on the Borough and its resident communities. We are in an a remote area, even by Alaska standards, so it's important for you to understand some of the challenges that we face on a regular basis that do not present themselves to most other communities in the U.S.

The Aleutians East Borough stretches over 300 miles along the eastern side of the Aleutian Islands and consists of the communities of Sand Point, Nelson Lagoon, King Cove, False Pass, Cold Bay, and Akutan, with a total number of residents just over 2,600. (However, the permanent population is only 1,224 according to the 2006 figures released by the State of Alaska's Demographer.)These communities are dependent on subsistence and commercial fishing, can only be accessed by plane or boat, and are situated among the most remote and rugged terrain in the United States. We deal with extreme weather events on a regular basis. A 100 mile per hour hurricane on the East Coast makes national news for a week. A similar-sized typhoon hits our coast and no one is aware of it but us and the National Weather Service. Yet we must address the same problems after such a storm—flooding, cleanup, repair—without access to an efficient transportation infrastructure that makes dealing with a storm's aftermath more manageable.

A recent study by the State of Alaska's Department of Labor and Workforce Development labeled the Borough's residents among the most diverse in the state, consisting of a mix of Native Aleuts, Asian & Pacific Islander—primarily Filipinos who work in seafood processing plants—and Caucasians. The 2000 Census recorded unemployment rate of 33 percent in the region, with a poverty rate higher than the national average. The economic opportunities for our people are extremely limited and are almost entirely dependent on commercial fishing, with salmon and cod as the most important fisheries. We don't have any tourism to speak of and there is no mining, timber or sport fishing industry.

Our fisheries may be healthy from a sustainability standpoint, but economically is a different question. In the late 1980s and early 90s, ex-vessel prices for sockeye salmon, our most valuable salmon species, were well over $2.00 a pound. They now hover at around 60 cents a pound as result of increased competition from subsidized farmed fish from overseas. Fuel prices in our area at the same time have gone up by nearly a factor of 5 in that same period. The rationalization of the crab and Pollock fisheries have also hurt the economies of some of our communities. Our fishermen are hanging on but barely.

As a result, we are losing many of our long-term residents that end up being replaced by transient fish processing workers. The population of school age children has plummeted. In Akutan, False Pass, and Cold Bay, the average school size—10 children—is less than half that of the average class size nationally. No Child Left Behind? We are facing No Child Left At All if the schools shrink any further. Over the last 30 years, the Borough communities of Unga, Belikofsky, Squaw Harbor and Sanak, have become ghost towns. Community abandonment is a very real to us.

These changing economic circumstances have forced the Borough to examine other economic opportunities and to be as creative as possible in seeking them out. For example, we have developed a cooperative to market fresh wild Alaskan salmon in

addition to increasing funds for education and launching a vigorous capital improvement program. So that brings us to the 5 year OCS lease plan.

The plan currently proposed by the Department of Interior would permit oil and gas drilling in the North Aleutian Basin, pending completion of an Environmental Impact Statement. The Borough supports the lease sale but only in the context of a rigorous EIS that builds in strong protective measures that safeguard our fisheries and subsistence lifestyle. We will be active in ensuring that proper mitigation measures and environmental protections are built into the final plan for the North Aleutian sale. (See the attached mitigation measures required to remove the Borough's conditional support.) Concurrently, we will be pressing prospective bidders on the leases to guarantee the hiring of local residents and businesses.

Previously, Congress had imposed a legislative moratorium, which we supported when it first went into place, on OCS sales in the North Aleutian basin in response to the Exxon Valdez oil spill. That moratorium expired a few years ago and we were supportive of that decision.

Why the change of heart? There are two answers, the first I've already given in terms of the bleak economic future now faced by the Borough. Secondly, almost 20 years have passed since the Exxon Valdez. The industry has revised its practices substantially since then. New technologies have been developed to prevent blowouts and to better direct drilling activities. The entire risk of spills or accidents has not gone away, but it is certainly less than at the time of the 1989 spill. Lastly, I want to point out, most of the proposed development will be for natural gas, not oil. Natural gas development brings with it its own set of risks but in many cases they differ than those associated with oil drilling and transport. Therefore, the Exxon Valdez comparison isn't exactly apt.

We oppose legislation introduced by Rep. Inslee to reinstate the moratorium. Proponents of the legislation have mislabeled it as "stopping drilling in Bristol Bay." Bristol Bay is some 200 miles away. We are the closest communities and would be most affected by any accident. Also, I hear statements and comments in the media from the bill's supporters that the bill is supported by "Bristol Bay" as if the region is one singular body that speaks with one voice. That is not the case. In fact, the Bristol Bay Borough and Lake and Peninsula Borough, the two area governments, have passed resolutions supporting inclusion of the North Aleutian Basin into the 5 year OCS Plan with proper mitigation. The Bristol Bay Native Corporation, representing many area Alaska natives, is also in favor as is the Aleut Corporation.

The Borough, along with the other entities that support the proposed Five Year program, are supportive of strong oversight by Congress to ensure that the Interior Department complies with NEPA. That oversight is also necessary to ensure that the Department uses the latest and most accurate data. For example, the recent Beaufort Sea EIS published in 2003, underestimated greatly the value of oil and gas prices. This resulted in flawed development scenarios that do not represent the current level of exploration being undertaken in the Beaufort Sea.

I've enclosed additional written comments on the specific NEPA issues the Borough supports being considered as part of the EIS. Report language added in the FY 2008 House Interior Appropriations puts the Department on notice that it needs to prepare a through EIS before development can go forward. That's a far better approach than to reinstate the moratorium legislatively. That would be a death blow to our economic future.

Thank you again for inviting me to testify today and I look forward to any questions you might have.

Proposed Mitigation Measures for OCS Leasing In the North Aleutian Basin[1] Fisheries Protection

Lease related use will be restricted to prevent conflicts with local commercial, subsistence, and sport harvest activities. All OCS operations, both onshore and offshore, must be designed, sited and operated to ensure that: (a) adverse changes to the distribution or abundance of fish resources do not occur; (b) fish or shellfish catches are not adversely impacted by OCS activities; (c) all exploration, construction and operation activities will be coordinated with the fishing community to maximize communication, ensure public participation, and avoid conflicts; (d) ballast water treatment is required to remove or eliminate non indigenous species; (e) fishermen are not displaced or precluded from access to fishing areas, unless they are ade-

[1] The proposed mitigation measures are in addition to the lease stipulations listed in the OCS DEIS for the Alaska Region, and to replace the Fisheries Protection stipulation which AEB has determined to be inadequate.

quately compensated for the displacement; (f) fishermen are not precluded from participating in designated fishing seasons, unless they are adequately compensated for the lost season(s); and (g) fishermen will be compensated for damage to fishing equipment, vessels, gear and decreased harvest value from OCS operations in a timely manner. NOAA Fisheries must complete a baseline fisheries assessment prior to commencement of OCS exploration. NOAA Fisheries must review and approve all exploration and development activities under the leases issued in collaboration with local, state and federal agencies, and implement federal monitoring programs to ensure these fish resource standards are met.

Transportation, Utility Corridors and Infrastructure Siting

Transportation routes, utility corridors and infrastructure must be carefully sited and constructed to allow for the free passage and movement of fish and wildlife, to avoid construction during critical migration periods for fish and wildlife. Pipelines should be buried wherever possible. The siting of facilities, other than docks, roads, utility or pipeline corridors, or terminal facilities, will be prohibited within one-half mile of the coast, barrier islands, reefs and lagoons, fish bearing waterbodies and 1500 feet from all surface water drinking sources.

Coastal Habitat Protection

Offshore operations must use the best available oil spill prevention and response technologies to prevent oil spills from adversely impacting coastal habitat, and to rapidly respond to oil spills. Geographic response strategies must be used to protect environmentally and culturally sensitive sites.

Local Hire and Training

OCS Operators will be required to submit a local hire and training program prior to any exploration, production or permitting activity, which provides a description of the operator's plans for partnering with local communities to recruit and hire local residents, local contractors, and local businesses and a training program to prepare local residents to be qualified for oil and gas jobs for exploration and development activities within their region.

Air Pollution

Best available emission control technology will be required for all industrial sources of air pollution, including criteria air pollutants and hazardous air pollutants.

Water Pollution

A zero water pollution discharge will be required for all industrial operations.

Marine Mammals and Essential Habitat

All onshore and offshore facilities and OCS-support vessel and air craft routes must be carefully sited to avoid marine mammal and essential habitat impacts.

Social Systems

All onshore and offshore facilities must be carefully sited, designed and operated to avoid adverse social system disruptions and impacts. OCS Operators must: (a) Minimize impacts on residential areas, privately-owned surface lands and native allotments; (b) Provide utilities, support services and expand other community infrastructure, and services as needed to support their OCS development and associated local population increases; and (c) Communicate with local residents, interested local community groups, and especially fishing organizations.

Good Neighbor Policy

All OCS Operators, operating off the Aleutian East Borough coastline, should be required to adopt a Good Neighbor Policy that is appropriate for this region. AEB's Good Neighbor Policy requires OCS Operators to work with the AEB to provide cost effective fuel, power, transportation, medical services, emergency and other services to the local communities. AEB's Good Neighbor Policy also required OCS Operators to provide a compensation system to minimize disruptions to subsistence activities and provides resources to relocate subsistence hunters and fishermen to alternate areas or provide temporary supplies if a spill affects the taking of subsistence resources.

Cultural and Historic Site Protection

OCS Operators must protect all existing cultural and historic sites and notify the local government as soon as possible about the discovery of prehistoric, historic and archaeological sites. The notification must describe what was discovered and how

the area will be preserved. A final project report shall be submitted to the local government.

Seismic Design

All onshore and offshore facilities must be designed to the Seismic Zone IV, Uniform Building Code design standard for the Aleutian Chain.

Mr. COSTA. Thank you for your testimony. And obviously complying within the five-minute rule. We usually give gold stars for that.

We do appreciate your comments, and we look forward to the questioning portion.

The last witness, but certainly an important part of the panel, is a gentleman, Mr. Whit Sheard, is that correct? Sheard, OK. I am always trying to make sure that I pronounce people's names properly. You are the Program Director for the Pacific Environment in Alaska, is that correct?

Mr. SHEARD. Yes, sir.

Mr. COSTA. Good. And it is good to have you here. And again, thanking both of the, as I said, the last two witnesses to travel the great distance that you did. And we are all obviously very pleased that you are here. So please begin on your opening statement.

STATEMENT OF WHIT SHEARD, PROGRAM DIRECTOR, PACIFIC ENVIRONMENT, ANCHORAGE, ALASKA

Mr. SHEARD. Thank you, sir. Mr. Chairman, honorable members of the committee, my name is Whit Sheard, and I am the Alaska Program Director for Pacific Environment, which is a non-governmental organization dedicated to the protection of the living environment of the Pacific Rim.

I am presenting these comments on behalf of myself and the Alaska Wilderness League. But I will note that we heavily consulted with other conservation organizations, native communities we work with, a fishing organization, and others who I believe have submitted comments for the committee.

The majority of my comments will focus on the environmental impacts of the proposed leasing in the waters off of Alaska, but I will also touch on the deficiencies in public process and scientific review that occurred during the preparation of this five-year plan.

We believe that this five-year plan is an overly aggressive expansion of oil and gas activity in America's Arctic waters. In the past years, the Minerals Management Service has focused its offshore oil and gas offerings in northern Alaska on just over 9 million acres in the Beaufort Sea, which I am sure some of you are aware is close to some of the on-shore facilities and structures, such as the Trans-Alaska Pipeline.

This year the new proposed plan involves Minerals Management Service reprising its failed and costly 1980s attempts to permit oil development in the fisheries-rich Bristol Bay region, and expanding Beaufort Sea offerings to over 33 million acres, and opening 39 million acres in the remote Chukchi Sea.

This aggressive expansion in the North Pacific and Arctic Ocean comes at a time when the Nation is facing important policy decisions concerning our over-reliance on fossil fuels, how to deal with the impacts of climate change on our northern lands, oceans, and

communities, and how to best coordinate our uses of our various ocean resources.

This plan, which will become official national policy, sets us on a course to continue our addiction to fossil fuels, accelerate the process of climate change, exacerbate current environmental impacts on our northern regions, and unilaterally zone the Arctic Ocean as an oil- and gas-drilling sacrifice area.

I would like to note first that the Bering Sea region and the Arctic Ocean regions of the Chukchi and Beaufort are very different regions, and the facts specific to them are very different. And I try to touch on both of them briefly.

The first, of course, is the Bering Sea, the North Aleutian Basin, which is the nation's largest fishing grounds; very important habitat for some of the most heavily fished commercial species in an area that was covered by long bipartisan moratoria on oil and gas drilling. We believe this should continue.

Of concern especially is the critical habitat of the eastern stock of the North Pacific right whale, which is the most endangered whale population on the planet, numbering less than 100 individuals. In similar situations with proposed oil drilling in the habitat of endangered whales, we have had scientific panels convene, who have told us that the loss of one breeding female would lead to the extinction of those populations.

As such, and considering the reluctance of the Federal government in recent years to designate critical habitat, we believe that this recent designation of critical habitat and the biological information we have on these species compels us to leave this area out of the five-year plan.

In terms of the Chukchi and Beaufort Seas, as you are well aware, these areas are incredibly important to the Arctic communities along that coast, whose cultures have existed there for somewhere between 2,000 to 20,000 years. I had the good fortune of visiting the Hill a few weeks ago with several whaling captains from Point Hope, Alaska, who stand in heavy opposition to this plan, because they believe it is a direct threat to their longstanding culture.

As such, I would also like to note for the record that the Environmental Protection Agency has pointed out the severe deficiencies in this plan in terms of process and in terms of respect for these native communities and their subsistence resources, as well as their cultural traditions.

Furthermore, the Department of Commerce, National Marine Fisheries Service, Alaska Region, has recommended the deletion of the Bering Sea and Chukchi portions of the plan. I understand the need for energy development; we just believe it should be responsible. And if the Department of Commerce is recommending the deletion of these areas, I think we should listen.

Finally, we have current development on Alaska's north slope, and I think we have a map. We have about 9 million acres that are already leased to the oil and gas industry. We have seen recent spills from the Prudhoe facility of 200,000 gallons, and we have also seen a spill from the one offshore production—or not a spill. We have seen holes in pipelines of the offshore production facility, the Northstar facility, that has been there. And BP scientists have

also told us that they have discovered a statistically significant deviation in the bowhead whale population that is migrating by this area.

Considering the concern these communities of the North have raised about this plan, about these subsistence resources, I think it is important that we take a much harder look at this plan. And I will conclude there.

Thank you.

[The prepared statement of Mr. Sheard follows:]

Statement of Whit Sheard, Alaska Program Director, Pacific Environment

Chairman Costa, Ranking Minority Member Pearce, and members of the Subcommittee, good morning, my name is Whit Sheard and I am the Alaska Program Director for Pacific Environment. These comments are delivered on behalf of Pacific Environment and the Alaska Wilderness League.

I am very appreciative of the opportunity to testify this morning regarding the Minerals Management Service's Proposed Five Year Program for Oil and Gas Leasing on the Outer Continental Shelf. The majority of my comments will focus on the environmental impacts of proposed leasing in the waters off Alaska, but I will also touch on the deficiencies in public process and scientific review that occurred during the preparation of this Five Year Plan.

Background

The Minerals Management Service's new Five Year Plan, which becomes official July 1, 2007, is an overly aggressive expansion of oil and gas activities in America's Arctic waters. In past years MMS focused its oil and gas offerings in northern Alaska on just over 9 million acres in the Beaufort Sea. This year, with the new proposed Five Year Plan, MMS is reprising its failed and costly 1980s attempt to permit oil development in the fisheries-rich Bristol Bay region by offering 5.4 million acres of the North Aleutian Basin, is expanding its Beaufort Sea offerings to over 33 million acres, and is opening 39 million acres in the remote Chukchi Sea.

This aggressive expansion in the North Pacific and Arctic oceans comes at a time when the Nation is facing important policy decisions concerning our over-reliance on fossil fuels, how to deal with the impacts of climate change on our northern lands, oceans, and communities, and how to best coordinate our uses of our various ocean resources. This Five Year Plan, which becomes official policy in three days, sets us on a course to continue our addiction to fossil fuels, accelerate the process of climate change, exacerbate current environmental impacts on our northern regions, and unilaterally zone the Arctic Ocean as an oil and gas drilling sacrifice area.

Specific concerns over the impacts of this plan include direct threats to the nation's richest fishing grounds, population level impacts to endangered North Pacific right whales and polar bears, disproportionate impacts to Alaska Native communities, and cumulative impacts to a region already facing ecological stress from both climate change and the current production of oil and gas on both the North Slope and in the Beaufort Sea.

The Bering Sea

The Bering Sea is a semi-enclosed northern extension of the North Pacific Ocean and is one of the world's most productive marine ecosystems; the nutrient rich waters of the Bering support at least 450 species of fish, crustaceans, and mollusks; 50 species of seabirds; and 25 species of marine mammals. These waters area also home to America's largest fishing grounds, containing approximately 40% of our nation's seafood resources as well as the world's largest sockeye salmon run. The area proposed for leasing and development is also designated critical habitat for several species of wildlife, including the world's most endangered whale population, the eastern stock of the North Pacific right whale.

Illustrative of the unreasonable proposed leasing in the Five Year Plan is Lease Sale 92, in the Bering Sea's Bristol Bay (designated by MMS as the North Aleutian Basin). This extremely productive fishing area is the heart of Alaska's salmon, pollock, King crab, and cod fisheries. According to the North Pacific Fishery Management Council, for the pollock fishery, which is the nation's largest single fishery, 21% of all catch occurs within the statistical areas overlapping the proposed lease sale. These areas also are home to 40% of the Bering Sea Pacific cod trawl catch,

55% of the Bering Sea flathead sole trawl fishery, 28% of the Bering Sea Pacific cod pot fishery, and nearly the entire Bristol Bay Red king crab fishery.

These fisheries resources, and the $2 billion/yr. renewable economy that they drive, are placed directly at risk from seismic exploration, oil spills, contaminated discharges, infrastructure construction, and increased vessel traffic. This is why fishing organizations such as the Bering Sea Fishermen's Association, the Bristol Bay Driftnetter's Association, the Bristol Bay Economic Development Council, the United Catcher Boats, and the Yukon River Drainage Fishermen's Association have opposed this proposed leasing.

The North Aleutian Basin lease sale proposed in Bristol Bay also threatens protected areas and wildlife in the region. Bristol Bay's rich tapestry of habitat is home to staging areas and wintering grounds for tens of millions of seabirds and is a feeding ground and migration corridor for marine mammals, including five endangered species. Protected areas adjacent to the lease sale area include the Izembek National Wildlife Refuge, which contains globally important wetlands and some of the world's largest eelgrass beds.

Of utmost biological concern is that the proposed lease sale overlaps extensively with the primary summer feeding grounds and designated critical habitat for the eastern stock of the North Pacific right whale, the world's most endangered whale population. As recognized by MMS in their Final Environmental Impact Statement on the Five Year Plan:

> any perturbation to this small remnant group is likely to affect much of the North Pacific right whale population...(FEIS IV-133)

This point was driven home quite clearly during a North Aleutian Basin planning meeting in Anchorage where agency scientists indicated that their research on North Atlantic right whales led them to believe that the loss of a single breeding female from the eastern stock of the North Pacific right whale would potentially lead to the extinction of the species.

In light of severe data gaps, critically endangered species, and rich renewable commercial and subsistence wild fishery economies, it is unclear how MMS can continue to propose leasing in the Bering Sea. The National Marine Fisheries Service, which is tasked both with managing commercial fisheries and ensuring the protection of endangered North Pacific right whales has specifically requested that this area be deleted from the 5 Year Plan.

The Beaufort and Chukchi Seas

The Beaufort and Chukchi Seas are highly important habitat for polar bears, whales, walrus and a multitude of other wildlife. They are also crucial to subsistence hunting, whaling and fishing communities, and support a wide variety of wildlife, including several endangered and threatened species. While development of one large nearshore facility has been undertaken in the Beaufort Sea, the Chukchi Sea is currently devoid of any oil and gas development. This is currently changing, however, as MMS is encouraging seismic exploration of both seas and is planning on selling tracts in the remote Chukchi Sea early in 2008.

Approximately one-sixth to one-fifth of the world's remaining polar bear population lives along, and depends on, the Chukchi and Beaufort Seas. Currently the USFWS is reviewing a petition to list the polar bear under the Endangered Species Act. Due to the rapid warming of America's Arctic and the concurrent retreat of sea ice that serves as important habitat for polar bears, we believe that this petition is warranted. Furthermore, we are concerned that current oil and gas exploration and development is impacting these species. The Minerals Management Service, however, continues to pay little attention to climate change and the protection of polar bears. The proposed Five Year Plan would not only continue this trend, but would rapidly and irresponsibly accelerate it.

Endangered whale populations in the Beaufort and Chukchi are also of particular concern. The Chukchi Sea, for example, provides important habits for bowhead, fin, and humpback whales, while the Beaufort Sea is a key migratory corridor and feeding grounds for bowhead whales. Key biological information for these species is lacking, although BP scientists have determined that the routine operations of the Northstar drilling site alone has caused a statistically significant deviation of bowheads from traditional migratory pathways.

As noted by the Environmental Protection Agency, the scientific data gaps that exist for these species render MMS unable to adequately guarantee mitigation of the impacts to these species. This is alarming both ecologically and culturally, as these species play important roles in the subsistence lifestyle of Alaska Natives living on the Arctic coast.

Oil Spills

One major impact associated with this plan is the level of pollution that will be introduced into these productive marine environments. As demonstrated by the Exxon Valdez, oil spills have long-lasting impacts to ecosystems and can cause population level effects on wildlife. This is especially true for endangered populations, such as those facing stress from climate change. MMS expects there to be four large oil spills in Alaska's waters during the life of this plan. Unfortunately, industry has repeatedly demonstrated that no oil spill technology exists that can recover spilled oil among broken sea ice and under the ice sheet and that there is no way to detect or track these spills. This is simply an unacceptable level of risk.

Public Process

MMS' public process under the National Environmental Policy Act has been wholly inadequate. First, MMS has produced environmental review documents that fail to disclose the actual impacts of this plan, that fail to discuss the significance of the lack of baseline data for these ecosystems and the resources that depend upon them, and that fail to foster informed decisionmaking. Furthermore, MMS failed to offer a legitimate opportunity for affected communities and other stakeholders to offer input on the plan's impacts. For example, a public meeting on the plan held in Dutch Harbor, Alaska, the nation's largest fishing port and home to commercial interests that will likely be heavily impacted by any development in Bristol Bay, was noticed in the Federal Register the day after the meeting occurred.

Also of concern to both the conservation community and Alaska Native communities is the rapid pace of current exploration and development activities, recent lease sale offerings, and the new Five Year Plan. An oft repeated message for MMS at public meetings in these communities is that MMS is simply offering "too much, too soon, too fast." Indeed MMS has recently authorized exploration and drilling along the coast of the Arctic National Wildlife Refuge, has leased a half million acres in the Beaufort Sea, has authorized multiple seismic operations throughout the entire Beaufort and Chukchi seas, and is now proposing to make approximately 72 million more acres of the Arctic Ocean available for leasing.

Conclusion

The Minerals Management Service's proposed Five Year Plan for Oil and Gas Development on the Outer Continental Shelf, which is set to become national policy on July 1, 2007, is an overly aggressive expansion of oil and gas drilling in Alaskan waters. MMS has failed to fully inform the public of the extent of ecological damage that this plan will cause to our public resources and that will set the nation on a five year course to perpetuate climate change, adversely modify critical habitat for endangered and threatened species, damage renewable commercial and subsistence economies, and cause disproportionate impacts to Alaska Native communities. MMS has suppressed important science, has drawn conclusions that bear little relationship to the facts, has ignored the sound advice of other federal agencies, and has not offered an adequate public process for either this plan or the multitude of current activities already taking place in Alaskan waters. Considering that the nation is currently defining policies to address climate change, energy efficiency, and oceans management, the proposed plan bears little relation to rational planning and places America's Arctic at an unacceptable level of risk. In light of the inadequate planning process, lack of scientific data, and unacceptable impacts to the environment and communities, we simply do not believe it is prudent to proceed with the Alaska portions of the Five Year Plan.

Mr. COSTA. Thank you very much. Now we will move to the question phase of the panel.

Senator Wagner, you briefly mentioned in your testimony two key points of interest to Virginia are the correction to the offshore boundaries and the development of a revenue-sharing plan.

Could you be a little more specific on those points?

Mr. WAGNER. Mr. Chairman, I would be delighted. The map—and Congresswoman Drake did point it out—is in the process of MMS, going through their computer programs they used to designate designating state boundaries that exist into the OCS.

As I understand what they told me, they used some international treaty software program that designates, it looks at the curvature

of the coastlines as they do that. And North Carolina, having an outward curve from the outer banks, they tend to take that curve and then run the lines out along those curves, as opposed to going due east, due west, or into the ocean, which one would normally think would be the way that boundaries are done.

And because Virginia has a convex, or it dips in kind of coastline, it has a flattening effect on these curves in computer models, and——

Mr. COSTA. All right, I think we have got that.

Mr. WAGNER. OK. And then the second one is——

Mr. COSTA. And you like the revenue-sharing plan?

Mr. WAGNER. The revenue-sharing plan is excellent, Mr. Chairman. We think that the 30 percent there, and I know that Louisiana has made significant progress on how and——

Mr. COSTA. So they are your role model, huh?

Mr. WAGNER. Yes. Well, the original draft of the energy bill——

Mr. COSTA. No, I understand.

Mr. WAGNER.—designated those funds for various——

Mr. COSTA. Mr. Pollard, you mentioned that the Virginia Energy Plan is wholly incompatible with the stated goals of Virginia energy policy. What do you mean by that?

Mr. POLLARD. Thank you, Mr. Chairman. In 2006, the Virginia General Assembly—of which I was not a member at that time, I had just stepped down—painted just both the policy and the plan. And the policy contains 12 points. Those 12 points do not talk about drilling; and in fact, the closest one that you get to in the policy says that drilling shall be located so as to minimize impacts to pristine natural areas. And so those two things are contradictory, and it is not quite as clear-cut as some have represented it to be.

Mr. COSTA. All right. Mr. Juettner, you indicated that most of the development, I believe in the lease that you were discussing, is for gas, is that correct?

Mr. JUETTNER. Yes, sir.

Mr. COSTA. Do you also support exploration for oil development, as well?

Mr. JUETTNER. Yes. But again——

Mr. COSTA. If it were to be discovered?

Mr. JUETTNER. Yes.

Mr. COSTA. And do you care to comment about the spills that were stated by your neighbor there from Alaska in recent years? It has gotten a great deal of attention, both on the pipeline spill and the others. What do you think, poor maintenance, management? What would you attribute to that?

Mr. JUETTNER. My understanding, sir, is that as you go into production, the impetus of producing more oil and more profits falls very heavily upon the production crews.

I think it is significant that one of our consultants was one of the primary whistle-blowers on the BP oil spill with their pipeline, so we are well in tune with what happened on the north slope.

If you say there isn't going to be a spill, you are being naive. I think you always have to plan for the worst eventualities.

Mr. COSTA. Mr. Sheard, you talked about the right whale. And as you know, there has been an effort by the Minerals Management

Service for three years to study the impacts. What is your opinion of that study?

Mr. SHEARD. Well, thank you, Mr. Chairman. We are always happy to see more studies and more biological information being developed on endangered species.

Unfortunately, this being the most critically endangered whale population on the planet, what we know already does not bode well for this plan. For example, North Atlantic right whales, with a population of at least three times the Pacific right whales, we are talking about——

Mr. COSTA. No, I understand the numbers, but that wasn't my question.

My question was whether or not you were familiar with the study. If you are not, that is fine.

I do want to get one other last question in. Mr. Juettner, your seatmate adjacent to you talked about mitigation measures in his testimony. If those were enacted, would you support the efforts for the Aleutian Basin?

Mr. JUETTNER. Unfortunately, we would not. I do not believe that mitigation is employed as readily as it is stated. We have seen in the North Slope development and the offshore development up there that mitigation quickly becomes monitoring, and we have also seen Conoco Philips litigate that monitoring and mitigation requirements. And they tend to be lessened.

And from what we know from technology, you can't clean up oil spills and broken ice conditions.

Mr. COSTA. All right. My time has expired. I may have some additional questions, but the gentleman from New Mexico, the Ranking Member, is next.

Mr. PEARCE. Thank you, Mr. Chairman. Mr. Pollard, what was the renewable source on that kiln that you were talking about?

Mr. POLLARD. Wood chips.

Mr. PEARCE. OK. So you are in favor of logging?

Mr. POLLARD. Absolutely, sir.

Mr. PEARCE. Mr. Sheard, do you favor commercial, does your association favor commercial fishing?

Mr. SHEARD. We do not take a position for or against it. We, of course——

Mr. PEARCE. OK, that is fine.

Mr. SHEARD.—work in partnership with fishermen quite often.

Mr. PEARCE. OK. So you don't object to that.

Mr. SHEARD. No, sir.

Mr. PEARCE. Now, I have lost the connection. You were talking about oil and mortality of whales. But your position is that if there is an oil spill, that whales are going to die? Is that your position?

Mr. SHEARD. That is our understanding from the scientists, particularly with endangered populations such as bowheads and North Pacific right whales.

Mr. PEARCE. Now, you heard the testimony earlier that 63 percent of all oil in the ocean comes from natural spills. How is it that these whales have been surviving this 63 percent source of inputs of oil for billions of years, and you have a 2 percent chance that it is going to come from a platform? How do your scientists answer

that? Did they answer? Did they deal with that 63 percent question?

Mr. SHEARD. Yes. As Mr. Cruickshank indicated, the devil is in the details there.

For example, in the Arctic, when the ice recedes, leads open in the ice, and the bowheads are highly dependent on these leads. If there is heavy oil input into these leads, it will potentially oil the entire population of migrating bowheads and cause a population——

Mr. PEARCE. The oil doesn't know where it is leaking, it just leaks; 63 percent is going to come from natural seepage. And so I do find that curious.

I find also curious Mr. Pollard's statement that we shouldn't exploit the gas because it would be 2020 before it is brought on anyway. To be honest, we had testimony that wind and solar and hydrogen and nuclear, all those power forms—wood chips alike—really won't be commercial for the next 30 to 40 years. And so I am wondering if we should not produce any of those over the next period of time.

Senator Wagner, we had a discussion from Mr. Pollard about the policy versus your vote. Now, tell me again, your vote was specifically about the drilling, right?

Mr. WAGNER. Yes, Mr. Chairman. The vote in 2005 was specifically on the issue of drilling. Within the 2006 energy bill, there was both policy, as well as programmatic requirements. The issue that originally came before the General Assembly had the original language of the drilling very clear. The Governor and us negotiated——

Mr. PEARCE. So you used the words exploration, you used the words oil and gas——

Mr. WAGNER. Right, right.

Mr. PEARCE. And the State Legislature didn't find any conflict with this policy that Mr. Pollard was wanting——

Mr. WAGNER. Right. We didn't. And in fact, it references, as a patron of the bill, I can assure you there is no conflict in my mind.

Mr. PEARCE. Mr. Juettner, the local government, the regional government that you represent, what tools do you all have to make sure that you are just not kind of herded along? What kind of work are you all doing to inform yourselves about the whole prospect of fishing, oil and gas, together? Stopping oil and gas if you don't want it? What have you all done?

Mr. JUETTNER. Well, it is going to be a hard question to answer. We have about a 20-year history on this question, going back to as early as 1984, when a group of our fishermen met with three members from the Shetland Islands to discuss oil and gas development as we looked at the old lease sale 1992. Their first recommendation was a form of regional government, which we did in 1988.

Since then, in the last three years we have been actively engaged in studying the industry, both on shore and offshore. We have enacted a new planning and zoning ordinance that gives us real teeth. We patterned the zoning ordinance after that of the North Slope Borough. We have traveled extensively, made familiarization trips to Cook Inlet to see how the RCAC interfaces with the indus-

try. Oil spill response programs. We have been doing our homework for three years.

Mr. PEARCE. So you have been pretty good stewards, in your mind, of the potentials on both sides, both the risk and the reward.

You had mentioned that the salmon harvest has declined. Why is that? And what effect has it had on your region?

Mr. JUETTNER. It is not the salmon harvest, sir. It is the value of the salmon harvest.

In 1988, when I first worked, one red salmon was worth $14. A barrel of oil was worth $12. Today that red salmon is worth $3.50; a barrel of crude is worth $62, $65 a barrel. The fish are still there. It is the value of the fishery that has deteriorated.

Mr. PEARCE. Why is the value going down? Is it people are demanding less?

Mr. JUETTNER. Basically, farmed salmon has undercut the market for wild salmon.

Mr. PEARCE. So competition is up. Supply is there, demand is up, supply is up, so the price falls.

Thank you, Mr. Chairman. I have more questions if you go a second round.

Mr. COSTA. All right. The next gentleman, a member of the Subcommittee, and I am always glad to hear from the gentleman from New Jersey, Mr. Holt.

Mr. HOLT. Thank you, Mr. Chairman. Let me first direct a question to both Mr. Pollard and Mr. Wagner.

Do you think this is a matter—and same question. Do you think this is a matter for Virginia only?

Mr. POLLARD. Sir, clearly the MMS deals off the coasts of many states. So no, sir. Oh, and opening up the—I see where you are going—opening up the Virginia coast could potentially have effects on adjoining states, absolutely.

Mr. HOLT. Mr. Wagner?

Mr. WAGNER. Congressman, I would concur with you, yes, it would have impact. And I know that MMS took the time to have public hearings up in New Jersey. I have attended one of those, I don't know if they had any others.

I will also say that the same activity that occurs in Nova Scotia adjacent to Maine would have similar potential impacts to the coast of Maine as indeed to entire New England.

Mr. HOLT. In an earlier version, you, I am sure, are aware that New Jersey and Virginia were in the same administrative region. The geography hasn't changed, only the lines for the administrative region. And so any physical and economic effects, I would imagine, are unchanged by the change in the regional lines.

Would you say, Mr. Wagner, that when you advocate this, is it because you see a low environmental risk? Or because you see the economics great enough to make it worth taking an environmental risk?

Mr. WAGNER. Mr. Chairman, Congressman Holt, we studied that at length, and looked at both the actual data that came off the platforms, and then the empirical data that we see. We see the fjords in Norway just as pristine today as before they developed the North Sea oil fields. We see the active fields off the coast of Nova Scotia and their lack of any type of impact that I can see on the

outer banks of the Grand Banks fishing areas; arguably, the most important.

We took the time to study very carefully the activities in the Gulf of Mexico, and basically discovered a website, www.towersoflife, that tell you that each one of these platforms has become its own ecosystem down there. Where no coral would exist, it exists on the platforms. Endangered species have their entire life cycles on these platforms. On average, there are 30,000 to 50,000 fish that congregate on each platform.

So we looked at all the data that was available. We looked at the remarkable track record that we have seen in the offshore industry. And we balanced that both with the economic needs, and determined that when you do a risk-reward variant, vis-a-vis tanker traffic, which has proven itself, it would be far more dangerous than——

Mr. HOLT. So you are saying that it is either a low risk, or perhaps economic—I mean, an environmental benefit.

Let me ask Mr. Pollard to answer the same question.

Mr. POLLARD. Thank you, sir. I would, not surprisingly, look at it on the flip side. The DOE says that the price of natural gas with the moratorium lifted is going to be $3.26. Excuse me, with the moratorium in place it is going to be $3.26 per thousand, and just four cents less with the moratoria areas opened. So therefore offering very little economic upside. But the pristine nature of the Virginia coast, not to mention, I am sure, off the coast of your state, leads to considerable downside risk.

Mr. HOLT. Looking at the information with regard to the North Aleutian Basin, the final environmental impact statement for the five-year program posits that there would be one large oil spill, two intermediate-sized spills, and numerous smaller spills.

What do you think would be the comparable finding for Virginia area?

Mr. POLLARD. The EIS estimates a 1,500-barrel spill. I don't know with what percent certainty that is, because that is back in the notes of the EIS. But if it is, that is supposed to be either a tanker or barge spill, which means its likelihood of being in shore is much higher. Obviously, if it is onloading or offloading, it could be at the platform itself. That is 75,000 gallons.

Mr. HOLT. And how broad geographically do you think the effect would be?

Mr. POLLARD. Well, I have operated outboard engines all my life. When I spill, you know, a cup of oil, it covers a pretty good area. So I wouldn't hesitate—I am not a specialist in that area, but it wouldn't be pretty, I can tell you that.

Mr. HOLT. Thank you. Thank you, Mr. Chairman.

Mr. COSTA. I thank the gentleman from New Jersey for your thoughtful questions, and for your involvement in this morning's hearing.

I want to thank this panel for being here today. There are some additional questions that I believe members of the committee have that we will submit to you, that we will ask you to return in writing. And we appreciate that the timing with our appropriations measures on the Floor limits our ability to go at greater length. But we do value this effort. Because frankly, as I said on my open-

ing statement, we really believe that a lot more work needs to be done as we try to thoughtfully construct both the risk management and the risk assessment as it relates to the important public resource that is there, and the balancing effort that this subcommittee and the full committee has to consider as we protect our public lands, and at the same time utilize those resources to the degree that makes sense, given the tremendous challenges our nation finds itself in with regards to our energy needs, as well as trying to at the same time be good stewards of the environment. Not an easy task, but nonetheless one that we are all committed to working on.

So I want to thank both panel members, I want to thank the members, our colleagues who wanted to testify, for their words of wisdom. And we will look forward to continuing this effort in the months ahead.

The Subcommittee hearing is now adjourned.

[Whereupon, at 12:04 p.m., the Subcommittee was adjourned.]

[Additional material submitted for the record follows:]

[A letter submitted for the record by the Alaska Independent Fishermen's Marketing Association follows:]

Alaska Independent Fishermen's
Marketing Association
P.O. Box 60131
Seattle, WA 98160
Phone/Fax (206) 542-3930

June 25, 2007

Mr. Jim Costa, California, Chairman
Subcommittee on Energy and Mineral Resources
1626 Longworth House Office Building

Re: Alaska Independent Fishermen's Marketing Association supports restoring protection for Bristol Bay from offshore drilling

Dear Mr. Costa,

The Alaska Independent Fishermen's Marketing Association (AIFMA) is the largest salmon fishermen's association in Bristol Bay, Alaska. AIFMA's mission is to protect the renewable salmon resource and promote economic sustainability for commercial salmon fishermen in Bristol Bay. In keeping with our mission, AIFMA strongly supports restoring protection for Bristol Bay from offshore oil and gas drilling. The risks from offshore drilling to the salmon fishery and the families and livelihoods it supports are simply too great.

Bristol Bay has the largest sockeye salmon run in the world and last year the value of the fishery was nearly $100 million. The Bristol Bay sockeye fishery is important economically, not only for Alaska, but also to other West Coast states. Nearly 3,000 salmon permit holders fish in Bristol Bay. These fishermen live in Alaska and up and down the West Coast. The value and vitality of the Bristol Bay salmon fishery is connected to the local economies of each of these states.

Recently, AIFMA has been involved with collaborative efforts amongst permit holders to increase the value of Bristol Bay wild salmon by supporting the formation of the Bristol Bay Regional Seafood Development Association (BBRDSA). Fishermen are taking important steps to contribute to their livelihoods and to ensure the economic viability of the fishery into the future. Unfortunately, proposals for major industrial development activities, including offshore leasing, threaten to undermine this progress.

AIFMA has been opposed to offshore drilling in the North Aleutian Basin planning area for many years. AIFMA was a part of the original coalition of fishing, conservation, community, and Native groups who fought hard to protect the region from

offshore drilling in the 1980's and 90's. The risks posed to the salmon fishery and fishermen's livelihoods from offshore drilling remain the same today.

The 5.6 million acre block proposed for leasing in 2011 by Minerals Management Service (MMS) overlaps vital marine habitat for salmon. Sockeye salmon utilize the area targeted for development for a number of key periods during their lifecycle including smolt migration, juvenile feeding grounds, and adult return migration. Offshore exploration, development, and production activities in these waters critical to the salmon life cycle are tremendously risky to the economically and culturally important salmon fishery.

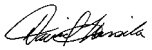
MMS has predicted that OCS development in the region will lead to at least one large oil spill of 1,000 barrels or more and numerous smaller spills (Final EIS 5-Year Proposed OCS Leasing Program). Summertime surface currents in the region would push spilled oil in a northeasterly direction, right towards where the salmon fishery takes place. Cleanup capabilities in the region are limited due to the extreme tides, currents, severe sea-ice conditions and hurricane-force winds that are common in the region.

A spill could not only be biologically harmful to salmon by causing lethal and sublethal impacts and degradation of habitat, but could also have serious implications for the ability to market the fish. Indeed, one accident has the ability to stifle the progress being made by fishermen to increase the value of Bristol Bay salmon and could quickly undermine their investments in the fishery. Offshore drilling in this region could have a ripple of negative effects from Bristol Bay itself down through Washington, affecting fishermen and the economies where they reside.

Other potential impacts of offshore drilling that present a danger to salmon include seismic surveys which research suggests could alter salmon migratory routes and can have lethal and sublethal impacts on small fish in the vicinity of airguns. The discharge of drilling muds and cuttings has been shown to degrade and alter zooplankton communities, a key food source for salmon.

We must save our world-class, premier fisheries located in Bristol Bay from the inevitable negative impacts of oil and gas development. With zero benefit for fishermen and the potential for devastating impacts to our fishing industry, we strongly urge that there be no offshore leasing in Bristol Bay. We hope that you will be a strong voice for salmon fishermen in Washington and will work with other members of the House Appropriations committee to restore protection for Bristol Bay.

Sincerely,



[A letter submitted for the record by the Alaska Marine Conservation Council follows:]

June 26, 2007

To: Mr. Jim Costa, California, Chairman
Subcommittee on Energy and Mineral Resources
1626 Longworth House Office Building
(202) 225-9297 Fax: (202) 225-5255

From: Kelly Harrell, Friends of Bristol Bay Project Director
Alaska Marine Conservation Council
P.O. Box 101145
Anchorage, AK 99510

Re: Oversight Hearing on "The Minerals Management Service's Proposed 2007-2012 Program for Oil and Gas Leasing on the Outer Continental Shelf"

Dear Chairman Costa,

The Alaska Marine Conservation Council (AMCC) appreciates this opportunity to provide written testimony for the House Natural Resources Committee hearing on the Minerals Management Service's 5-Year Outer Continental Shelf (OCS) Leasing Program for 2007-2012. On behalf of our board and over 700 members who include commercial fishermen, subsistence harvesters and others whose livelihoods depend on healthy marine ecosystems, we thank you for holding a hearing on proposed OCS leasing in Alaska, a topic very important to Alaska's coastal communities and fishing industry.

AMCC is opposed to the inclusion of Bristol Bay and the southeastern Bering Sea (known as the North Aleutian Basin Planning Area) in the 2007-2012 OCS Leasing Program. This area, often referred to as the nation's "fish basket," has a long history of bipartisan protection stretching back to the Exxon Valdez oil spill in 1989. This past January, President Bush lifted the executive ban on leasing in Bristol Bay, ending the legacy of protection for this rich and valuable marine ecosystem. The President took this action despite pleas not to do so from a diverse array of interests including commercial fishing organizations, Alaska Native Tribes and villages, and conservation groups (see attached letter). These groups stand united in their position that **the potential benefits of offshore oil and gas drilling in Bristol Bay are not worth the great economic, ecological, and cultural risks.**

In this 5-year OCS program, MMS has scheduled a lease sale for in 2011 in a 5.6 million acre block of the North Aleutian Basin Planning Area that lies at the center of **the most important region for the commercial fishing industry in Alaska and the nation.** More than 40% of our nation's total seafood harvest comes from the Bering Sea [1] and the renewable fisheries resources potentially impacted by offshore drilling are worth more than $2 billion annually (see attachment). The area proposed for leasing overlaps fishing grounds and/or habitat for the world's largest sockeye (red) salmon fishery, the globally-important Bering Sea groundfish fishery, the famous Bristol Bay red king crab fishery, and high-valued Pacific halibut fishery. These fisheries resources are the economic and cultural foundation of the region's coastal communities and provide jobs for fishermen and fishing families throughout Alaska and the Pacific Northwest. Any impacts to these renewable fisheries resources would directly affect the vitality of the fishing industry here as well as the nation's supply and exports of seafood products. Furthermore, as fisheries continue to collapse and are overfished within the nation and around the world, the fisheries in the Bering Sea continue to stand as a model for successful and sustainable management of fisheries resources. Offshore drilling would compromise these accomplishments and Alaska's reputation as a leader in fisheries management.

The risk from oil spills is extremely high in the Bering Sea region known for its powerful storms and high frequency of volcanic and seismic activity. MMS predicts at least one large oil spill and numerous smaller spills will occur if offshore drilling takes place. [2] Cleanup capabilities in rough weather and sea ice, which extends south into the North Aleutian Basin Planning Area in the winter months, are simply nonexistent. Even small spills have the potential to cause ecological harm to marine resources and could result in fisheries closures if there is the slightest perception that fish resources were affected. Also, due to the utilization of shallow shelf areas and adjacent coastal habitats by sensitive life forms of fish and crab, and by such species at various life stages (see attached maps), the potential for a pollution event to cause population-level impacts to an economically important fishery is high. For example, sockeye salmon utilize habitats within and surrounding the proposed lease sale area as outmigration routes as smolts, as juvenile feeding grounds, and as adult migration routes. This species, which supports a fishery worth nearly $100 million in 2006 (see attachment), would therefore be vulnerable to an oil spill throughout a number of important life stages.

The southeastern Bering Sea is a remote region only accessible by air and by boat. Industrial development is non-existent here with the exception of fishing-related activities. In addition to rich fisheries resources, the region also supports around 25 species of marine mammals including the world's most endangered whale—the North Pacific right whale. The area proposed for leasing substantially overlaps designated critical habitat for this species on the brink of extinction (see attached map). The southeastern Bering Sea is also a haven for migratory seabirds and waterfowl and contains the greatest concentration of seabird colonies on Earth. The continental shelf of the Bering Sea is truly one of the most productive in the world and contains species and habitats that are ecologically important on a global scale. This "wet wilderness" is a crown ocean jewel that our nation should take pride in and nurture; not put at risk for the short-term development of relatively small amount of fossil fuel resources.

OCS development in Bristol Bay would dramatically alter the pristine character of this awe-inspiring region that is home to five National Wildlife Refuges and eight state protected areas. The development scenario below for the North Aleutian Basin

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[1] NOAA Fisheries. Fisheries of the United States 2005. February 2007. Accessible online at: http://www.st.nmfs.gov/st1/fus/fus05/index.html .

[2] Minerals Management Service. Final Environmental Impact Statement, Outer Continental Shelf Leasing Program 2007-2012. April 2007. Accessible online at: http://www.mms.gov/5-year/2007-2012_FEIS.htm .

Planning Area laid out by MMS in the 5-Year Program Final Environmental Impact Statement (EIS) paints a vivid picture of the industrial-scale of activity that could be expected if leasing occurs:

- 4-6 offshore platforms
- up to 20 exploration wells
- up to 200 production wells
- up to 150 miles of offshore pipeline—gas pipeline and condensate/light crude oil pipeline (impacting up to 555 acres of benthic habitat)
- up to 50 miles of new onshore pipeline
- 2 pipeline landfalls
- 1 waste facility
- 1 processing facility
- 1 shore base and a new dock or causeway for service vessels in onshore areas along the coast of the Alaska Peninsula, Unimak Island, or north of the Bristol Bay coast
- 1 or more new access roads may be needed for each new facility and for pipeline maintenance activities.[3]

This network of facilities, support bases, and oil and gas transportation infrastructure would impact hundreds of miles of habitat for fish, marine mammals, seabirds, waterfowl, and terrestrial mammals stretching from the seafloor and water column in the Bering Sea to coastal and inland areas along the north and south side of the Alaska Peninsula. Beyond oil spills and the sprawling footprint of infrastructure, the impacts from seismic surveys, and the discharge of drilling muds and cuttings pose additional risks to the fisheries resources and rich marine life in Bristol Bay and the southeastern Bering Sea. Given what's at stake in the region, the potential impacts of these activities are unacceptable.

The ecological, economic, and cultural risks from offshore drilling in Bristol Bay are extremely high but the potential benefits are minimal. MMS estimates the net economic value of developing oil and gas resources in the North Aleutian Basin at $7.7 billion dollars over the entire 25-40 year lifespan of the project.[4] This figure pales in comparison to the $2 billion dollar annual renewable fisheries economy that offshore drilling would put at risk each year.

The mean estimated technically recoverable resources for the North Aleutian Basin Planning Area are 8.62 trillion cubic feet of gas and 0.75 billion barrels of oil.[5] This represents less than 1% of the total mean estimated technically recoverable oil in the U.S. OCS (85.88 Bbo) and around 2% of gas (419.88 Tcf).[6] Clearly, by protecting Bristol Bay, we would not be cutting off access to our nation's ocean energy resources, most of which are already open to exploration and development in the Gulf of Mexico. The relatively small amounts of oil and gas in Bristol Bay would do little to end our nation's reliance on foreign fossil fuels. MMS states in the Final Environmental Impact Statement for the 5-Year Program that, "Most benefits (of the 5-Year Program) would be short-term and would delay the increase in the Nation's dependency on oil imports."[7] **It is simply not good energy policy, economic policy, or fisheries policy to allow offshore leasing amidst the productive waters of Bristol Bay and the southeastern Bering Sea.**

AMCC urges Members of Congress to request that MMS remove Bristol Bay from the 5-Year OCS Leasing Program and strongly hopes that members will work to restore protection for this unparalleled and extremely valuable marine ecosystem. We encourage other Members of Congress to support and cosponsor the Bristol Bay Protection Act (HR 1957) introduced by Representatives Inslee, Hinchey, and Gilchrest (see attached letter). This bill would provide permanent protection for the Bering Sea's renewable fisheries economy, the region's coastal communities, as well as the globally important marine wildlife in the region from the potentially devastating impacts of offshore oil and gas development.

Again, thank you for this opportunity to comment. Please feel free to contact me with any questions or concerns.

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[3] Minerals Management Service. Final Environmental Impact Statement, Outer Continental Shelf Leasing Program 2007-2012. April 2007. Page IV-153; IV-136 Accessible online at: http://www.mms.gov/5-year/2007-2012_FEIS.htm .

[4] Minerals Management Service. Final Proposed Leasing Outer Continental Shelf Leasing Program 2007-2012.

[5] Minerals Management Service. Planning Area Resources Addendum to Assessment of Undiscovered Technically Recoverable Resources of the Nation's Outer Continental Shelf, 2006.

[6] Ibid.

[7] Minerals Management Service. Final Environmental Impact Statement, Outer Continental Shelf Leasing Program 2007-2012. April 2007. Page IV-522. Accessible online at: http://www.mms.gov/5-year/2007-2012_FEIS.htm .

Sincerely,

Kelly Harrell
Project Director, Friends of Bristol Bay

Enclosures

[An Open Letter to President George W. Bush submitted for the record by the Alaska Independent Fishermen's Marketing Association, Alaska Center for the Environment, Alaska Longline Fishermen's Association, et al., follows:]

December 1, 2006

Open letter to President George W. Bush

Re: *Maintain the Presidential Withdrawal Prohibiting Offshore Oil and Gas Leasing in Alaska's Bristol Bay*

Dear Mr. President,

We, the undersigned, urge you in the strongest possible terms not to lift the presidential withdrawal prohibiting offshore oil and gas development in the North Aleutian Basin, which encompasses Bristol Bay and a portion of the southeastern Bering Sea.

The presidential withdrawal for Bristol Bay, currently in effect until 2012, serves a vital role in protecting the world-class marine resources, sea life, fishing livelihoods, and resource-dependent coastal communities of the region from the potentially devastating ecological, economic, social, and cultural impacts of offshore oil and gas development.

We urge you to continue the history of protection for what is arguably one of the most important and sensitive areas of the nation's Outer Continental Shelf. We also request your help in working with the Congress to reinstate the bi-partisan moratorium on offshore oil and gas development in Bristol Bay that had, until 2003, been in effect for more than a decade. These protections have been in place because of the great risk to Bristol Bay posed by oil and gas development. The presidential withdrawal now stands as the last line of defense for this irreplaceable resource.

Sincerely,

David Harsila, President
Alaska Independent Fishermen's Marketing Association

Butch Allen, Oceans Organizer
Alaska Center for the Environment

Linda Behnken, Executive Director
Alaska Longline Fishermen's Association

Eric Siy, Executive Director
Alaska Marine Conservation Council

Elise Wolf
AlaskaWatch

Kristen Miller
Alaska Wilderness League

John Toppenberg, Director
Alaska Wildlife Alliance

Bobby Andrew, President
Aleknagik Natives Ltd.

Dora Andrew-Ihrke, Board Secretary
Aleknagik Natives Ltd.

Dan Barr, President
Bristol Bay Driftnetters Association

Ralph Andersen, CEO
Bristol Bay Native Association

Brendan Cummings, Ocean Program Director
Center for Biological Diversity

Debbie Carlson, Tribal Administrator
Chignik Bay Tribal Council

Rhonda Gregorio, President
Chignik Lagoon Native Corporation

Afonie Takak, Board Member
Chignik Lake Village Council

Alice Ruby, Mayor
City of Dillingham

Andrew Berguof, Director
Choggiung, Ltd.

Bob Shavelson, Executive Director
Cook Inletkeeper

Steve Branson, President
Crewmen's Association

Thomas Tilden, Curyung Tribal Chief
Curyung Tribal Council

Melanie Duchin
Greenpeace, Inc.

Karen Stickman, President
Kijik Native Corporation

Michael McOwen, President
LegaSea

Karen G. Wayland, Legislative Director
Natural Resources Defense Council

Jim Adams, Director, Alaska Office
National Wildlife Federation

Edward J. Adams, Sr., Tribal President
Native Village of Nunam Iqua

Mary Ann Yagie, Clerk
Native Village of Perryville

Agnes Rychnovsky, Treasurer
Newhalen Tribal Council

Pam Miller, Arctic Coordinator
Northern Alaska Environmental Center

Jim Ayers, Vice-President
Oceana

Whit Sheard, Alaska Program Director
Pacific Environment

David Jenkins, Government Affairs Director
Republicans for Environmental Protection

Mary Jo Rice, Executive Director
Seaflow

Athan Manuel, Director of Public of Lands
Sierra Club

Bill Meadows, President
The Wilderness Society

Brent Paine, Executive Director
United Catcher Boats

Rick Steiner, Professor
University of Alaska

Wade and Wendy Willis, Owners
Vision Quest Adventures

William M. Eichbaum, Vice-president for Marine Portfolio
World Wildlife Fund

Representatives from:
Togiak, Manokotak, Port Heiden, Chignik River Ltd. Corporation, Dillingham and Nondalton

Alaskans Urge Congress to Support H.R. 1957 & S 1311—The Bristol Bay Protection Act

The Alaska Marine Conservation Council (AMCC), an Alaska-based organization whose more than 700 members include commercial fishermen, subsistence harvesters, and others whose livelihoods depend on healthy marine ecosystems, supports the Bristol Bay Protection Act introduced in the House by Representatives Inslee (D-WA), Gilchrest (R-MD), and Hinchey (D-NY) and the companion bill introduced in the Senate by John Kerry (D-MA). The Alaska Marine Conservation Council urges other Members of Congress to co-sponsor these important bills.

AMCC has been working closely with communities and fishing interests to protect Bristol Bay from offshore drilling for over four years. **More than 40 local and regional entities including fishing associations, Tribes, villages and other Native organizations have voiced opposition to offshore oil and gas drilling in**

Bristol Bay. The livelihoods of local residents, as well as commercial fishermen and subsistence harvesters, are directly tied to the health of the renewable marine resources in this region. These living, marine resources would be put at great risk from offshore oil and gas development. **The federal government's own studies predict drilling in Bristol Bay and the southeastern Bering Sea (North Aleutian Basin Planning Area) would lead to at least one large oil spill, 2 medium-sized spills, and numerous smaller spills.**[8]

By all accounts, Bristol Bay is one of the nation's crown ocean jewels. The bay is a large estuary of the Bering Sea and its broad, shallow continental shelf if one of the most productive in the world. **Approximately 40% of the entire U.S. seafood catch comes from the Bering Sea, including the world's largest sockeye (red) salmon fishery, globally-important Bering Sea pollock, and Bristol Bay red king crab.**[9] The largest concentration of seabird colonies in North America occurs here. Numerous marine mammal species have important habitat in Bristol Bay—including threatened and endangered species such as the Northern fur seal, Steller sea lion, southwestern sea otter, fin whale, humpback whale, and the extremely imperiled North Pacific right whale.

Bristol Bay has a long history of bipartisan protection from OCS leasing that dates back to the Exxon Valdez oil spill in 1989. In January 2007, President Bush lifted a long-standing executive ban on offshore drilling in Bristol Bay removing the last layer of protection for the region.

The Final 5-Year OCS Leasing Program recently transmitted to Congress for a 60-day review period proposes to hold a lease sale in Bristol Bay (North Aleutian Basin Planning Area) in 2011. **Congress must act to protect Bristol Bay's ecologically, economically, and culturally important renewable resources from the short-term development of fossil fuels.**

By supporting the Bristol Bay Protection Act, you would be:

- Supporting the continued economic development of renewable fisheries resources of the southeastern Bering Sea that are worth more than $2 billion annually and are vital to local and state economies in Alaska and the Pacific Northwest (see attachment);
- Supporting sound economic policy that refuses to risk this fisheries economy for an estimated $7.7 billion dollar net economic value over the entire 25-40 year lifespan of fossil fuel development in Bristol Bay;
- Helping to protect the jobs of fishermen who have nothing to gain and everything to lose from proposed offshore oil and gas development;
- Ensuring that the four National Wildlife Refuges and eight Alaska state protected areas in the region are not subject to degradation from oil and gas activities and can continue to provide vital habitat to a range of seabird, waterfowl, marine mammal, and terrestrial species;
- Supporting an enlightened vision for our nation's energy policy that refuses to risk economically, ecologically, and culturally important renewable resources for short-term fossil fuel development that would benefit few and could be detrimental to many.

Your support of the Bristol Bay Protection Act will help to safeguard globally important commercial fisheries, diverse marine life, and the economies and traditions that depend on their long term health. Please feel free to contact us for more information or with any questions or concerns.

Sincerely,

Kelly Harrell
Project Director, Friends of Bristol Bay
Alaska Marine Conservation Council
P.O. Box 101145
Anchorage, AK 99510
(907) 277-5357
Kelly@akmarine.org
www.akmarine.org

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[8] Minerals Management Service. Final Environmental Impact Statement, Outer Continental Shelf Leasing Program 2007-2012. April 2007. Accessible online at: http://www.mms.gov/5-year/2007-2012_FEIS.htm .

[9] NOAA Fisheries. Fisheries of the United States 2005. February 2007. Accessible online at: http://www.st.nmfs.gov/st1/fus/fus05/index.html .

Ten Reasons to
Protect Alaska's Bristol Bay
from Offshore Oil and Gas Drilling

Bristol Bay and southeastern Bering Sea waters support globally important commercial fisheries valued at more than $2 billion dollars annually. The area targeted for offshore oil and gas development overlaps with vital habitat and fishing grounds for salmon, red king crab, herring, halibut, pollock and cod. The region provides more than 40% of total U.S. fish catch and supports fishermen and fishing families throughout Alaska and the Pacific Northwest.

Bristol Bay is home to the world's largest wild run of sockeye salmon. The region's salmon are important not only ecologically, with Bristol Bay serving as one of the last global strongholds for Pacific salmon, but also economically and culturally. The area targeted for leasing falls directly within important migratory and feeding habitat for salmon from throughout western Alaska.

Subsistence is the irreplaceable mainstay of Alaska Native tradition and culture. Salmon is the life-blood of village economies and ways of life. In addition to salmon, southwestern Alaskan communities rely on halibut, herring, marine mammals and other ocean and coastal resources for their livelihoods. Impacts from offshore drilling would threaten these rich subsistence traditions.

The Bristol Bay region is of global ecological importance for fish, seabirds, waterfowl and marine mammals. The eastern Bering Sea is renowned for its enormous biological productivity and provides habitat for hundreds of fish species, dozens of marine mammal species and is home to one of the world's greatest concentrations of seabird colonies.

Federal studies suggest offshore oil and gas production in Bristol Bay would result in one or more major oil spills of more than 1,000 barrels and a number of smaller spills. Recovery of spilled oil in Bristol Bay is unfeasible as clean-up technology is inadequate in rough sea conditions, ice, and strong tides and currents.

The Bering Sea ecosystem is already under stress from climate change. Scientists have demonstrated that warming temperatures have already had significant and unprecedented effects on the southeast Bering Sea and Bristol Bay ecosystem including sea bird die-offs, rare algal blooms, declines in marine mammals and altered fish distribution. Increased ocean acidification, warmer ocean temperatures, disrupted oceanic production cycles, and warmer stream temperatures are expected to cause declines in productivity in the region over the next 30 years. Any further stress, such as offshore oil and gas activities, will exacerbate these threats to the integrity and resilience of the ecosystem.

Offshore drilling in Bristol Bay would further threaten a number of endangered species including the world's most endangered whale—the North Pacific right whale—whose population is estimated to number less than 100 individuals. More than half of the area proposed for offshore development is designated critical habitat for this species.

There are four national wildlife refuges (NWRs) in the region that could be affected by offshore oil and gas development: Alaska Peninsula NWR, Alaska Maritime NWR, Izembek NWR, and Togiak NWR. The proposed transportation route for getting oil and gas to the market calls for a pipeline through the Alaska Peninsula NWR which provides habitat for salmon, waterfowl, wolf, wolverine, lynx, caribou, brown bears, and numerous other species. Izembek NWR, which contains some of the world's largest eelgrass beds and globally important wetlands that provide habitat for millions of migratory birds, is directly adjacent to the proposed lease sale area.

We already determined that Bristol Bay is too sensitive to allow offshore oil and gas drilling. After the Exxon Valdez oil spill demonstrated the tremendous damage an oil spill in Alaskan waters can have on fish, wildlife, and communities, Congress placed the region under the nationwide offshore drilling moratorium and the American public paid more than $100 million dollars in 1995 to buy back

The economic benefits of renewable fisheries resources far outweigh the potential economic value of nonrenewable offshore oil and gas resources. The Minerals Management Service has estimated the total net economic value of developing Bristol Bay's oil and gas resources at $7.7 billion dollars over the entire 25-40 year lifespan of the project. Every year of offshore drilling would pose risks to an estimated $2 billion dollar annual wild fisheries economy.

A broad spectrum of conservation, community, and fishing interests are all opposed to offshore drilling n Bristol Bay. Join us in calling on Congress to restore protection for this unique marine ecosystem.

Contact Kelly Harrell at the Alaska Marine Conservation Council at (907) 277-5357,

e-mail kelly@akmarine.org, or got to www.akmarine.org to learn more about how you can help.

Economic Value of Bristol Bay and Southeastern Bering Sea Fisheries

April 2007

Sustainable fisheries resources potentially affected by offshore oil and gas drilling in the North Aleutian Basin Planning Area are worth more than $2.4 billion dollars annually

The economic figures for the fisheries provided below are intended to give an approximate assessment of the value of the fisheries that could be affected by oil and gas development in the portion of the North Aleutian Basin Planning Area currently targeted for leasing. These fisheries were determined to be potentially affected by the impacts of offshore oil and gas development based on two criteria: 1.) the fisheries take place within or surrounding the proposed lease sale area (Sale 92 area) and/or 2.) the species that are fished utilize habitat within or surrounding the area proposed for leasing.

The impacts of oil and gas development would extend beyond the proposed 5.6 million acre lease sale area. Offshore seismic surveys, infrastructure construction and emplacement, vessel traffic, the discharge of drilling muds and cuttings, as well as oil spills could affect fisheries that occur inside and outside the lease sale area. Oil and gas activities have the potential to cause displacement from fishing grounds, degradation of fish habitat, as well as lethal and sublethal impacts to fish and their prey. Even the perception of a reduction in the quality of product harvested in the region could drive down prices on the world market.

Values after processing are only provided for the federal groundfish fisheries. In all other fisheries the ex vessel values, or value before processing, are given below. Thus, the total value for these fisheries actually exceeds the numbers presented below, as value after processing is higher than the price paid to fishermen at the dock.

Federally-Managed Bering Sea/Aleutian Islands (BSAI) Groundfish 2005 Value after Processing (includes pollock, Pacific cod, and flatfish)[1]:	**$1.7 billion**
Pacific Halibut 2005 Ex vessel value[2]:	**$170 million**
Salmon Ex vessel 2006 values[3]**:**	
• Alaska Peninsula/Aleutian Islands Salmon	$17 million
• Bristol Bay Salmon (includes sockeye and other species)	$94 million
• Kuskokwim Salmon	$1 million
• Yukon Salmon	$3.6 million
Total Salmon:	**$115.6 million**
Shellfish 2006 Ex Vessel Values[4]**:**	
• Red King Crab 2006 ex vessel value:	$78 million
• Tanner Crab 2006 ex vessel value:	$1.2 million
Total Shellfish:	**$79.2 million**
State-Managed Groundfish 2005 Ex Vessel Values[5]**:**	
• Bering Sea/Aleutian Islands	$413,000
• Alaska Peninsula	$3 million
Total State-Managed Groundfish:	**$3.4 million**
Bristol Bay (Togiak) Herring Sac Roe 2006 Ex Vessel Values[6]**:**	
• Seine	$1.7 million
• Gillnet	$ 890,000
Total Herring:	**$2.6 million**

Overall Total Value: more than $2.4 billion

Prepared by Kelly Harrell of the Alaska Marine Conservation Council, (907) 277-5357, kelly@akmarine.org .

Alaska Marine Conservation Council

[1] North Pacific Fisheries Management Council (2006) Stock Assessment and Fishery Evaluation (SAFE) Report for the Groundfish Fisheries of the Gulf of Alaska and Bering Sea/Aleutian Islands Area: Economic Status of the Groundfish Fisheries Off Alaska, 2005. Accessed April 16, 2007 at: http://www.afsc.noaa.gov/refm/docs/2006/economic.pdf .

[2] *Ibid.*

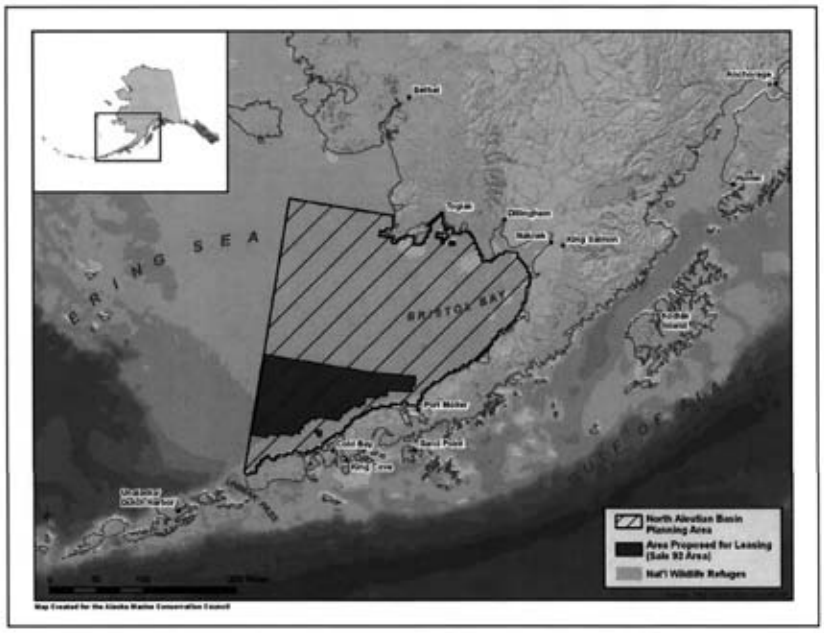
[3] Alaska Department of Fish and Game, 2006 Alaska Commercial Salmon Harvest and Ex Vessel Values Accessed December 7, 2006 at: http://www.cf.adfg.state.ak.us/geninfo/finfish/salmon/catchval/blusheet/06exvesl.php .

[4] Alaska Department of Fish and Game, 2006 Preliminary Alaska Commercial Shellfish Catches and Ex Vessel Values. Accessed January 22, 2007 at: http://www.cf.adfg.state.ak.us/geninfo/shellfsh/06value.php .

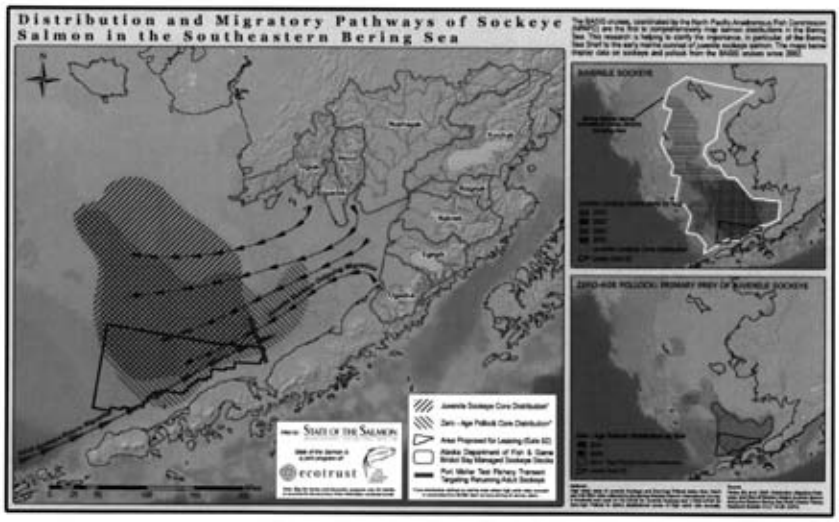
[5] Alaska Department of Fish and Game, 2005 Alaska Commercial Groundfish Harvests and Value (State-Managed). Accessed December 7, 2006 at: http://www.cf.adfg.state.ak.us/geninfo/finfish/grndfish/catchval/05grndf.php .

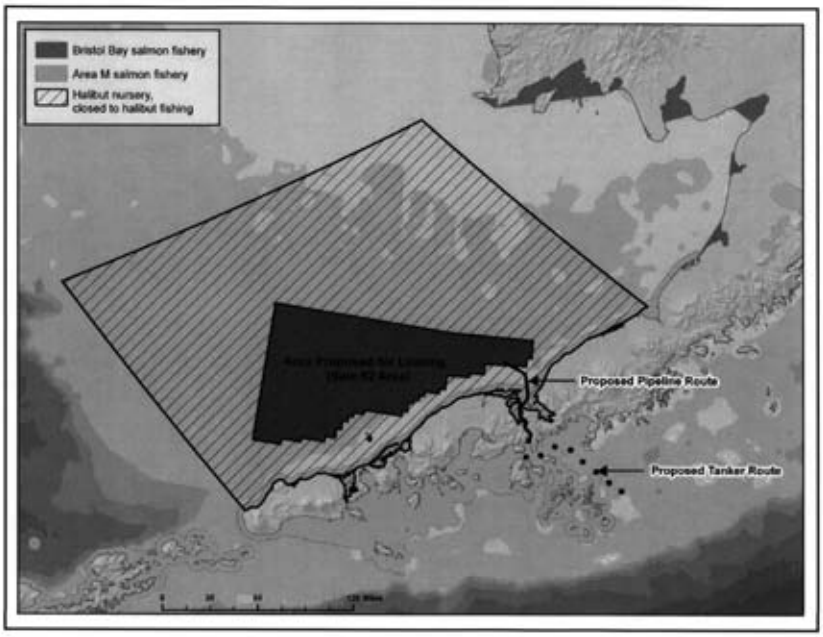
[6] Alaska Department of Fish and Game, 2006 Alaska Commercial Herring Sac Roe Harvests and Ex Vessel Values. Accessed December 7, 2006 at: http://www.cf.adfg.state.ak.us/geninfo/finfish/herring/catchval/06catch.php .

Location of Bristol Bay and area proposed for leasing

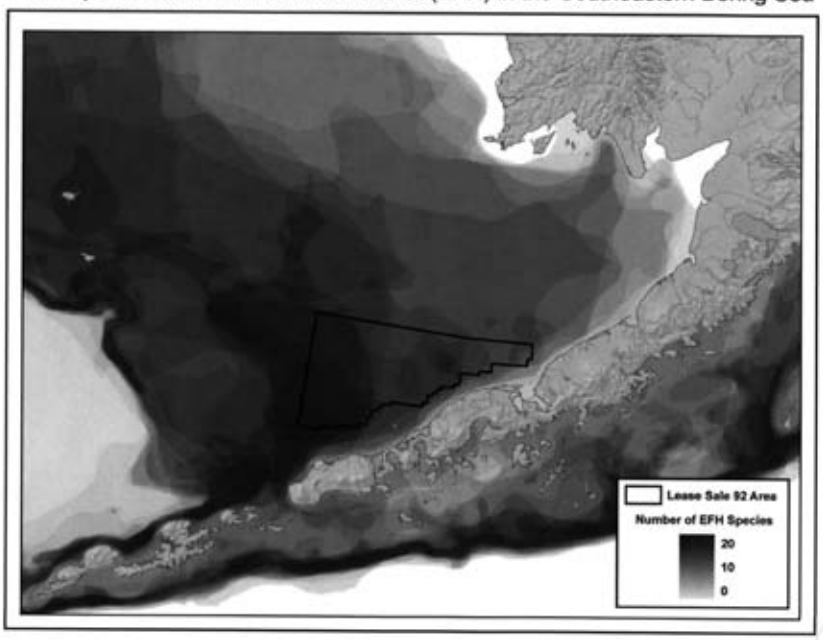


Bristol Bay: Global Stronghold for Sockeye Salmon
CHUKOTKA
ALASKA
MAGADAN
YUKON TERRITORY
BRITISH COLUMBIA
KHABAROVSK
SAKHALIN
PRIMORSKY
OREGON
CALIFORNIA
Sockeye Spawning Abundance
Average Annual Total Return
State of the Salmon
ecotrust

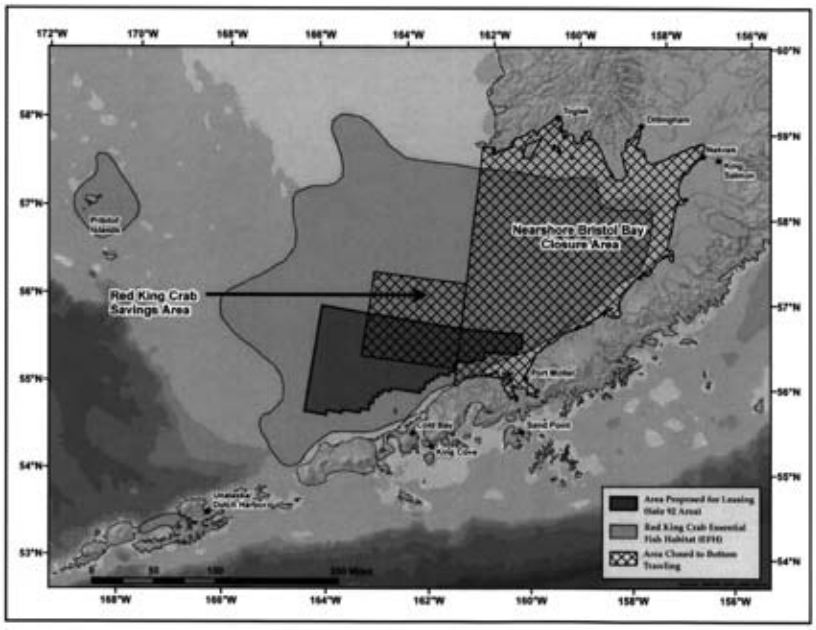

Distribution and Migratory Pathways of Sockeye Salmon in the Southeastern Bering Sea
State of the Salmon
ecotrust



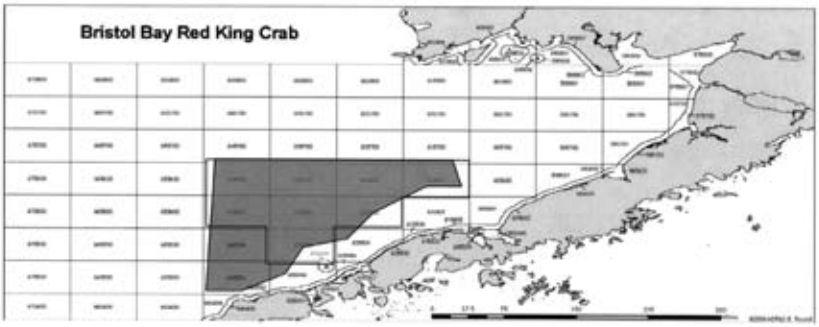
Fish Species with Essential Fish Habitat (EFH) in the Southeastern Bering Sea



Red king crab protected areas and Essential Fish Habitat



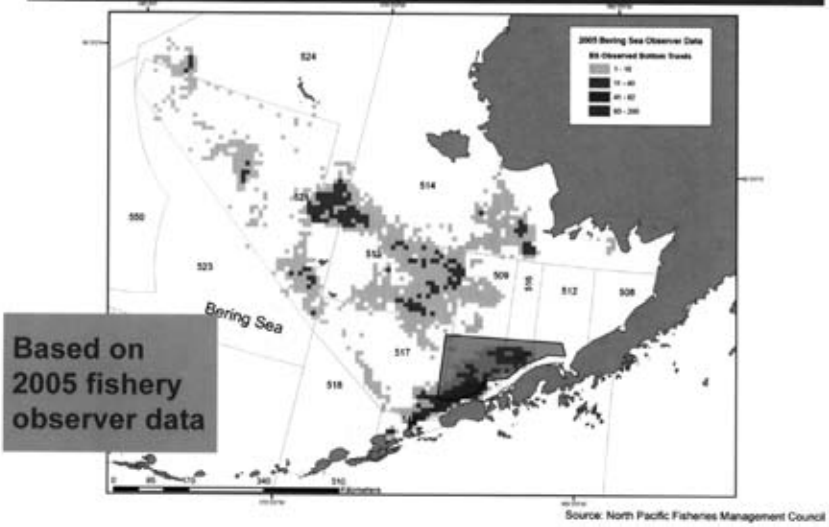
Bristol Bay Red King Crab Fishery 2005/06



- By week, anywhere from 1-51 vessels participating
- 2.5 million crabs harvested, 16.5 million lbs

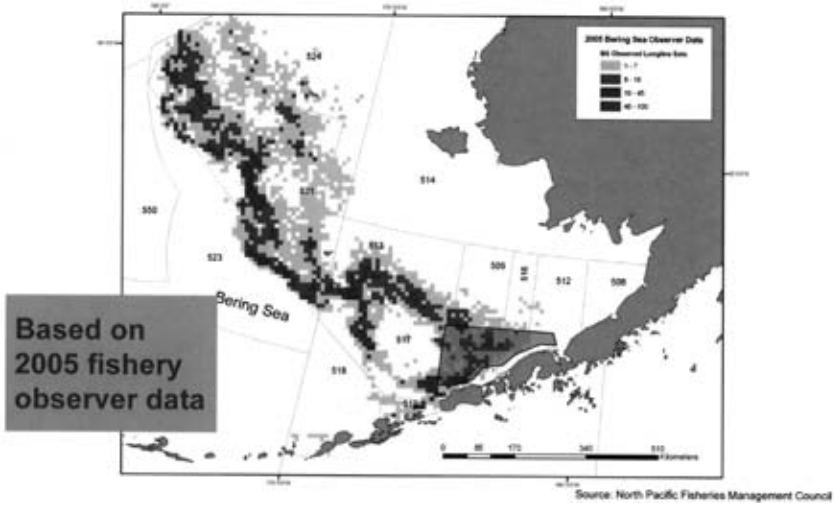
Source: North Pacific Fisheries Management Council

2005 P. Cod & Flatfish (Trawl)



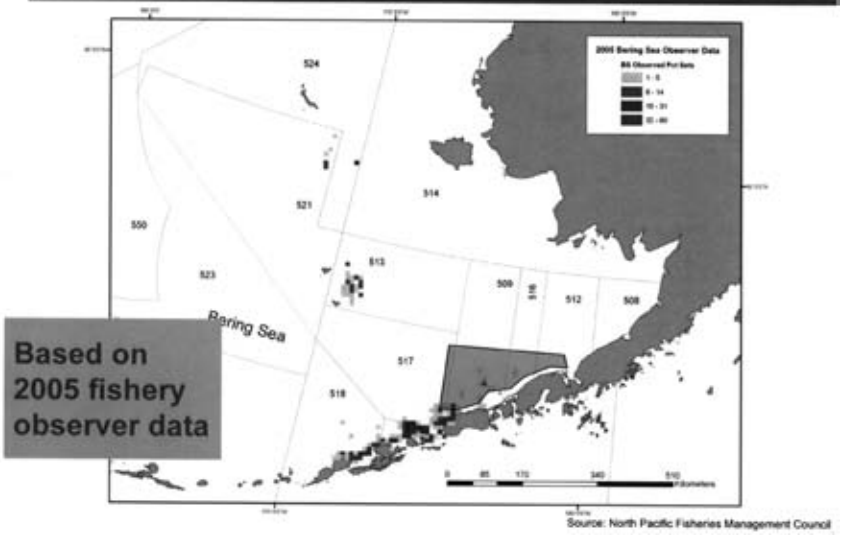
Source: North Pacific Fisheries Management Council

2005 P. Cod Longline Fishery



Source: North Pacific Fisheries Management Council

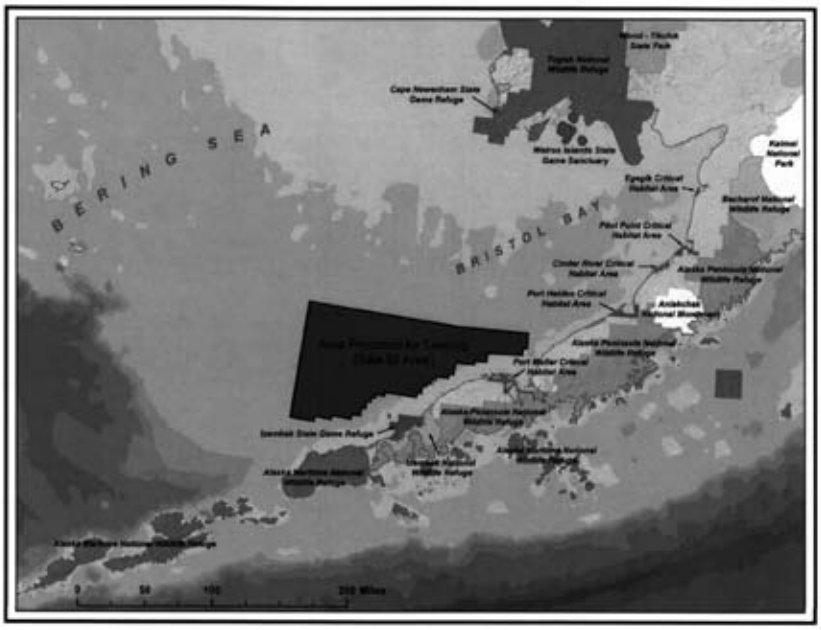
2005 P. Cod Pot Fishery

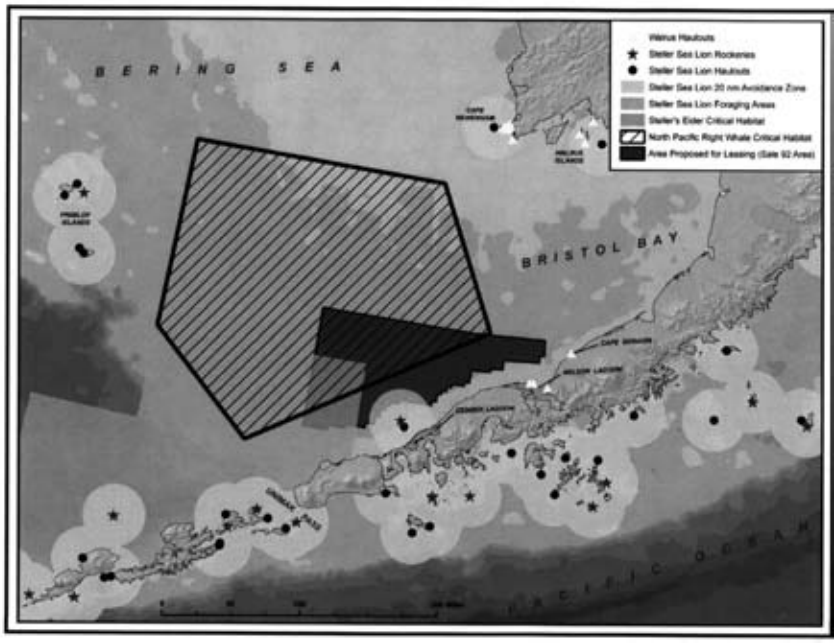


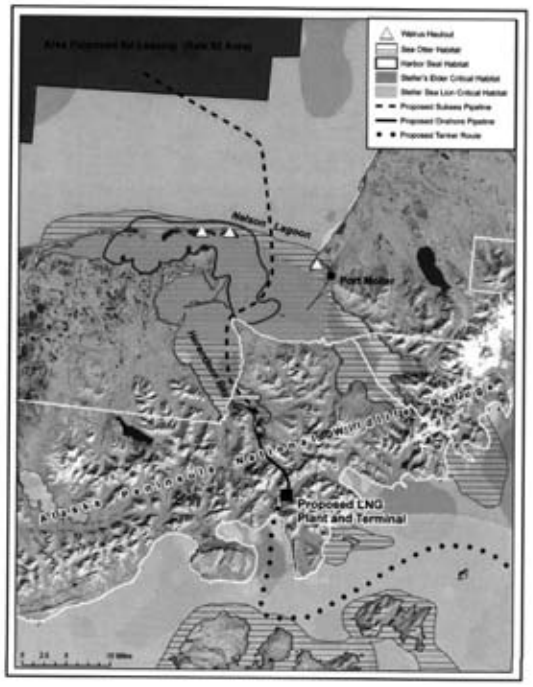
Fish Harvest in Lease Sale 92 Area

	Harvested in 509, 516, 512	% of total BSAI harvest
Pollock trawl	317,089	21%
Pacific cod trawl	26,023	40%
Pacific cod longline	13,300	11%
Pacific cod pot	4,727	28%
Yellowfin sole trawl	6,674	7%
Flathead sole trawl	2,292	55%
Rock sole trawl	20,418	14%

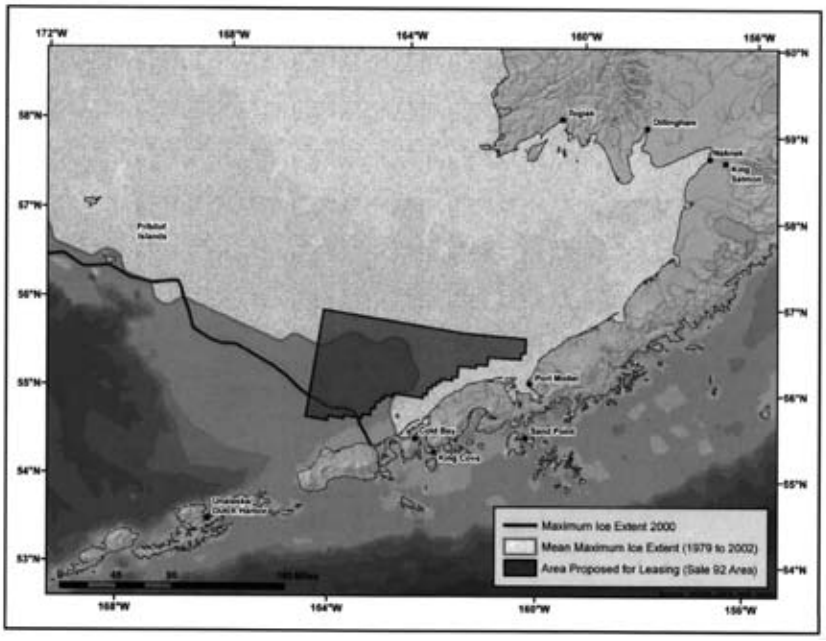
Protected Areas in the Southeastern Bering Sea

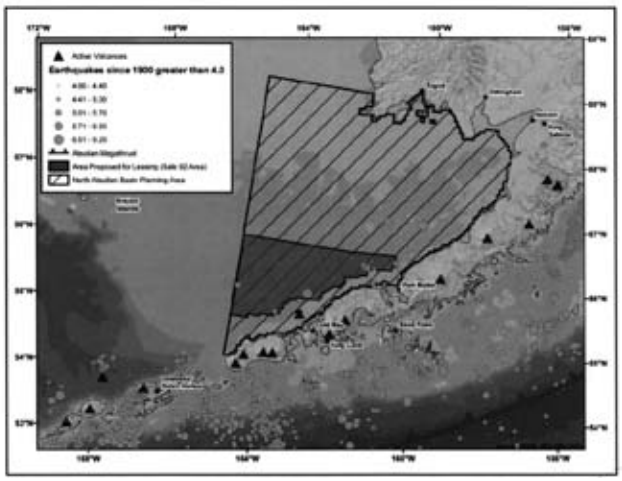






Proposed oil and gas transportation route





[A statement submitted for the record by Faith Gemmill, Resisting Environmental Destruction on Indigenous Lands (REDOIL), follows:]

REDOIL
Resisting Environmental Destruction on Indigenous Lands
A Project of the Indigenous Environmental Network

P.O Box 74667
Fairbanks, AK 99707-4667
PH: 907-456-2181
Fax: 907-456-2184

July 12, 2007

Mr. Jim Costa, California, Chairman
Subcommittee on Energy and Mineral Resources
1626 Longworth House Office Building
(202) 225-9297 Fax: (202) 225-5255
Via Email: Holly.wagenet@mail.house.gov

RE: Subcommittee on Energy and Mineral Resources: Written testimony for Oversight Hearing on "The Minerals Management Service's Proposed 2007-2012 Program for Oil and Gas Leasing on the Outer Continental Shelf" held on June 28, 2007.

Mr. Chairman,

On behalf of Resisting Environmental Destruction on Indigenous Lands (REDOIL) I submit these comments as written testimony for the Subcommittee on Energy and Mineral Resources: Oversight Hearing on "The Minerals Management Service's Proposed 2007-2012 Program for Oil and Gas Leasing on the Outer Continental Shelf" held June 28, 2007

REDOIL is a powerful movement of Alaska Natives who are challenging the oil industry and demanding their rights to a safe and healthy environment conducive to subsistence. The REDOIL network consists of grassroots Alaska Natives of the Inupiat, Yupik, Aleut, Tlingit, Gwich'in, Eyak and Denaiana Athabascan tribes. This Alaska-based network aims to address the human and ecological health impacts brought on by the unsustainable development practices of the fossil fuel industry. REDOIL strongly supports self-determination rights of tribes in Alaska, as well as a just transition from fossil fuel development to sustainable economies, and promotes the implementation of sustainable development on or near Alaska Native lands. REDOIL is part of the Indigenous Environmental Network. One of the most important guiding principles for REDOIL is:

"We are committed to a moratorium on all new exploration for oil, gas and coal as a first step toward the full phase-out of fossil fuels with a just transition to sustainable jobs, energy and environment. We take this position based on our concern over the disproportionate social cultural, spiritual, environmental, and climate impacts on Indigenous Peoples, particularly in Alaska.

The Alaska OCS:

The Alaskan OCS provides an abundance of marine life, and is adjacent to some important terrestrial public resources in the United States. Alaska Native coastal communities have depended on marine subsistence resources since time immemorial. The Beaufort Sea, Chukchi Sea, Arctic Ocean, Bristol Bay, Cook Inlet and other offshore areas are critical to Alaska Natives subsistence. REDOIL is deeply concerned with the risks posed to sensitive marine and coastal environments from oil and gas activities in the Alaskan OCS. Vital subsistence resources that are intrinsic to the livelihood of coastal Alaska Native communities within the entire OCS area are at risk. Due to the serious risk posed to these ecological areas and the communities that are within these areas or in close proximity who rely upon coastal resources, REDOIL strongly recommends the entire Alaska OCS be excluded from the 2007-2012 leasing program.

ANCSA, Oil and Alaska Native Subsistence:

Since time immemorial, the title to land in Alaska belonged to the Indigenous Peoples of Alaska. Various acts of congress and laws put into effect a chain of pilfering of Native lands in Alaska. Though the question of title to land was not settled, on June 20, 1867 The Treaty of Cessions proclaimed Alaska as part of the United States after the U.S. bought Alaska from the Russians, for the sum of 2 cents an acre. When Alaska became the 49th State in 1959, there were approximately 85,000 Alaska Natives throughout Alaska. The Prudhoe Bay oil field was discovered in 1968. The discovery of oil in Prudhoe Bay established an alliance of the federal government and multi-national oil companies to promote their combined interests. This alliance provoked an urgency to settle the land claims in Alaska to provide for a right of way for the 800 mile Trans-Alaska pipeline to access the resources on the North Slope and to bring it to market. The Alaska Native Claims Settlement Act (ANCSA) was then enacted in 1971 by Congress. ANCSA was passed without a vote of Alaska's original inhabitants or the American public. ANCSA extinguished all aboriginal land claims in Alaska. Alaska Natives retained only 44 million acres of land (approximately 11% of 380 million acres) and $962 million dollars. ANCSA created for profit Native regional and village corporations and also conveyed ancestral lands to the Native corporations instead of existing Tribal governments. Now, Alaska Natives have ownership to shares in ANCSA corporations that hold land title. Many ANCSA Native corporate entities now are in alliance or agreement with large multi-national companies. Thus, Alaska Natives are constantly defending their ancestral homelands from the onslaught of unsustainable economic development projects within their territories.

Though Federal Policy of the U.S. set up Alaska Natives to assimilate themselves to the western value system of "profit at all cost" many Alaska Natives still maintain their cultural values and continue to maintain and practice a subsistence lifestyle. There is a growing number of Alaska Natives that view ANCSA as an illegitimate act that was designed to undermine Self-Determination and Sovereignty of Alaska Native Tribes. Many Alaska Natives would rather live in concert with the land and resources and not dominate over the natural world with the purpose of profit. ANCSA created a system to access the resources, assimilate Alaska Natives, divide and conquer to proceed with unsustainable economic development initiatives that further erode subsistence rights as the land is assaulted. Alaska Native traditional territories within the State of Alaska are now at threat by corporate multinational interests. Unfortunately ANCSA created the situation where our own Native corporations are aligned with the oil companies and other multi national interests as well, and thus this is the legacy of ANCSA-massive destruction of our homelands.

Alaska Natives are seeking protection for the last areas that are still intact and pristine, that continue to provide for essential physical, cultural, spiritual, social and economic means for the Indigenous Peoples of Alaska. The proposed new 5-year OCS Oil and Gas Leasing Program for 2007-2012 is a threat that will have profound and devastating effects on the Indigenous Peoples of Alaska that rely on the oceans to provide for their subsistence needs.

Indigenous Peoples have always viewed human rights and a healthy environment as fundamentally linked. The careful management and protection of the Arctic environment is a requirement for the enjoyment of Alaska Native human rights, particularly as they relate to the "subsistence" or "traditional" economy. Indigenous Peoples

of Alaska have long fought for recognition of subsistence rights as a basic inherent fundamental human right.

Existing international law already protects subsistence rights. This right is recognized and affirmed by civilized nations in the international covenants on human rights. Article I of both the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights read in part:

"...In no case may a people be deprived of its own means of subsistence."

Alaska Native communities are constantly working toward basic survival. The term "subsistence" may not mean much to citizens of the United States, but to Alaska Natives the term "subsistence" is about their rights, livelihood and survival. Native communities are largely remote and usually only accessible by small plane. Some communities that are located along river ways may be accessed by boat in the summer. Few communities are located on the highway system. There are not large grocery stores in communities, and the cost of freight nowadays is so high, Alaska Natives are better off living the subsistence livelihood; it alleviates a financial burden on families as well. For communities, subsistence is more than hunting and fishing. It is their very life, it is their existence. One can easily say that without subsistence, Alaska Natives will not exist. The reality is; this is the hard truth.

Traditional Ecological Knowledge:

Alaska Natives from coastal communities have serious concerns for their marine environment. They eloquently address their concerns about present oil and gas development and proposed future development:

> "The concerns relating to the adverse effects of an air burst of 190 decibels were not answered. It has never been demonstrated that oil can be cleaned up in the Arctic Ocean. Since then, I have learned a disturbing fact, it appears that spills would not require extreme measures to be cleaned up. Demonstrations have shown that oil cannot be successfully cleaned up in the Arctic Ocean. If a spill were to happen, clean up would only be required at demonstrated ability of existing technology. This I believe is a very serious problem. The demonstrated ability of clean up is not of an acceptable quality. The accumulative effects relating to oil development are not considered, if the offshore projects are allowed, what adverse effects will be created getting the product to market? The public should know that the offshore development is directly related to onshore areas being made available for exploitation, i.e. development of the 1002 area of the Arctic National Wildlife Refuge."
>
> —ROBERT THOMPSON, KAKTOVIK

> "The ocean can provide for many communities and families but oil only gives a temporary paycheck that may not be there next year and eventually will require our natural resource, the people, to be away when teaching and communication is being missed by the young."
>
> —ROSEMARY AHTUANGURUAK, NUIQSUT

> "During the MMS scoping meeting we expressed our opposition and asked questions on when seismic studies were done by dates, they did not know. We stated that we were unaware of the five wells that were drilled in 1989-91 and noticed seals sinking during winter (loss of fish) and a few whales washed up on the beach between 1980-89, possibly from seismic work that took place at that time. We stated we had passed a resolution opposing oil & gas development offshore. They did not bring a recorder. ConocoPhillips came a couple of weeks later where we reiterated our concerns expressed at the MMS scoping meeting. We also stated we learned that there were no nationally accepted seismic study reports completed on the effects of seismic work on fish and marine mammals. Other published reports of harm was referred to during the meeting, such as a reduction in fish caught by 30-70% to the lack of studies on baleen whale .We request that no permits be issued until there is a nationally accepted report completed that proves there are no adverse effects of seismic work on fish and marine mammals. We feel that there is nothing that can replace our food from our sea."
>
> —JACK SCHEAFER, POINT HOPE

> "The Beluga in the Cook Inlet are under the probability of becoming extinct. We do not know what will be impacted next. To open offshore leasing on the Outer Continental Shelf would further endanger the Beluga, in part because of seismic testing and because of additional environmental damage including Global Warming. The National Marine Fisheries is not enforcing the Marine Mammals Protection Act and has been unable to protect the

marine mammals. Contracting with the Tribes in Cook Inlet to protect the mammals may be more effective."

—MARY ANN MILLS, KENAITZE

"In Bristol Bay we were confronted by oil companies that bid on the leases in the original lease sale 92 in the 80's, so we brought this issue up before our Tribal Councils because we always felt this would adversely affect our entire lifestyle. Our subsistence resources would be completely depleted. Any disruption in the flow of subsistence lifestyle would negatively impact us as traditional users. Through long term use and occupancy, we understand this ecosystem better than most. All five species of salmon are the mainstay of the economy of our communities. Within the last thirty years, the herring fishery became a big business, along with the halibut and king crab. Along the Alaska peninsula is an area called "cod alley" that is used by CDQ's (community development quotas) this area also supports Pollock, so the whole area will be impacted. We are also concerned for surface and subsurface clams and crabs. There is concern for the whales, their sensors are so delicate. Seismic testing will devastate them, which has been proven to harm their sense of direction. We depend on migrating birds as well—Muir, geese, and seagull eggs are also an important subsistence resource in the springtime. Oil and exploration would devastate our subsistence lifestyle. Any spill of any magnitude would destroy our way of life. The North Aleutian basin is our store. Anything that jeopardizes the purity of this area would detrimentally impact us."

—NORMAN ANDERSON, NAKNEK

Science:

National Academy of Sciences 2003

Cumulative Environmental Effects of Oil and gas Development on Alaska's North Slope "Effects on the Human Environment"

Offshore, Subsistence and Human Health Impacts:

"Alterations to the North Slope physical environment have had aesthetic, cultural, and spiritual effects on human populations." (p.222)

"The committee heard repeatedly from North Slope Inupiat residents that the imposition of a huge industrial complex on the Arctic landscape was offensive to the people and an affront to the spirit of the land." (p.223)

"Hunting the bowhead [whale] has been the Inupiaq cultural anchor as change has come to the North Slope. The ongoing, accumulating effects posed by offshore development, in the form of perceived threats, would be diminished only by clear evidence that the technology exists to mitigate large oil spill in broken ice. There is no evidence to date that such cleanups are possible...the size of bowheads makes them an extremely important food source." (p. 135)

"Alaska Native residents told the committee that there are subtle changes in species harvested by subsistence hunters, who have identified changes in the color, texture, and taste of the flesh and skin of several species. (p. 136)

"North Slope residents also reported that traditional subsistence hunting areas have been reduced, the behavior and migratory patterns of key subsistence species have changed, and that there is increased incidence of cancer and diabetes and disruption of traditional social systems." (p.139)

"In addition to stress contributing to adverse health effects, oil development has increased the smog and haze near some villages, which residents believe is causing an increase in asthma. The stress of integrating a new way of life with generations of traditional teachings has increased alcoholism, drug abuse, and child abuse. Higher consumption of non-subsistence food...has increased the incidence of diabetes." (p. 225)

The Outer Continental Shelf:

Each of Alaska's OCS regions contains important natural subsistence resources that would be threatened by oil and gas development. Subsistence use of fish and other marine animals is both an established economy of Native coastal communities and is absolutely central to the survival of Alaska's indigenous cultures. The nation's most productive and richest fishing grounds are found in Alaska, and the economies of coastal communities along the Gulf of Alaska, Cook Inlet, the Bering Sea, and the Beaufort and Chukchi Seas rely on commercial and subsistence fishing. Statewide, the fishing industry provides more private sector jobs than any other source. Unlike oil and gas resources, the marine resources of the Alaska OCS can last indefinitely, and should therefore not be jeopardized by non-renewable resource development.

Beaufort Sea: The Arctic Ocean's Beaufort Sea is the primary marine subsistence use area for the Inupiat of the North Slope. The Beaufort provides critical

habitat for polar bears, walruses, seals, migratory birds, threatened spectacled and Steller's eiders and the endangered bowhead whale. In this vulnerable and harsh environment, spilled oil will concentrate in restricted open water such as the leads and breathing holes where marine mammals surface and birds congregate, and along the sensitive coasts. The Arctic National Wildlife Refuge, with its incomparable wildlife and wilderness, adjoins the eastern portion of the Beaufort Sea in the United States. Critical bowhead whale spring migratory pathways in the lead zone are located east of Barrow, and fall migratory and feeding habitats are located offshore of the Arctic National Wildlife Refuge.

The National Petroleum Reserve-Alaska lines much of the Beaufort Sea coast, an area of international environmental significance. This is an important area as a key subsistence use area. This region, especially the area north of Teshekpuk Lake, is particularly important to a number of bird species. For example, it includes a high percentage of the Alaskan breeding population of yellow-billed loons, is the center of the breeding distribution for Steller's eiders, and contains high concentrations of spectacled eider nests. The area also includes high breeding densities and highly populated colonies of black brants. The wetlands also provide seasonal habitat for many other species of waterfowl and shorebirds and for other fauna. The Dease Inlet and Smith Bay region is important to mammals, as well. For example, the offshore area contains the feeding area for bowhead whales during their fall migration and the late summer use area for beluga whales. Onshore, it provides the most consistently used wintering area for the Teshekpuk Lake Caribou Herd, and is part of the outer range of the Western Arctic Caribou Herd.

These primary subsistence use areas are sensitive to disturbances caused by industrial activities and infrastructure as well as oil spills, and should therefore be excluded from development the next OCS 5-year plan.

Coast of the Arctic National Wildlife Refuge: Offshore lease sales jeopardize the integrity of the wildlife and coastal habitats of the Arctic National Wildlife Refuge as well as the marine ecosystem itself upon which subsistence activities depend. Development off the coast of the Arctic Refuge poses risks to the Porcupine Caribou Herd, bowhead whales, fish, and migratory birds using the Arctic Refuge coastline, lagoons, and barrier islands. Internationally important polar bear habitats are at risk, both within the refuge and off its coast. Protection of polar bears and their habitats is a specified purpose of the Arctic Refuge. The Arctic Refuge provides the most important onshore denning habitat for polar bears in the U.S. Offshore exploration and development would cause pollution, aircraft and vessel noise and related industrial activity, and potential oil spills would degrade the Refuge and threaten the integrity of this protected conservation unit, even if there were no construction of infrastructure within its boundaries. In the future, there would be intense pressure to construct sprawling onshore airports, pipelines, roads, docks, and other support facilities in the Refuge. The Gwich'in Nation of Northeast Alaska and Northwest Canada have longstanding opposition to oil development within the coastal plain of the Arctic National Wildlife Refuge, a growing number of Inupiat within the community of Kaktovik are opposed to oil development in the Arctic Refuge as well. The coastal plain of the Arctic National Wildlife Refuge represents the last 5% of coastal lands still protected, 95% of Alaska's coastal lands are open to development already.

The Beaufort Sea Lease Sale 170 set a precedent of not leasing areas off the coast of the Arctic Refuge. MMS deferred the entire area, noting lack of information on cumulative impacts to the Refuge from development, insufficient information on emergency response plans, and the inability to make direct landfall with a sub-sea production pipeline. MMS also noted concerns related to bowhead whales and the potential for this area to be an important area for feeding during fall migration. These issues remain major concerns of the public. Therefore, at a minimum, we request that the entire OCS north of the Arctic National Wildlife Refuge (from its western boundary at the Staines/ Canning River to the Canadian border) be completely removed from any further consideration in the 5-year plan as the environmental risks are unavoidably too high in this sensitive area.

Chukchi Sea: The Chukchi Sea is an important primary subsistence use area for Inupiat that live in coastal communities. Oil leasing in Arctic waters of the Chukchi Sea/Hope Basin threatens critical spring migration route for bowhead and beluga whales, important feeding areas for gray whales and Pacific walruses, staging and molting areas for migratory birds, polar bear and walrus habitats including in Russian waters, and Cape Krusenstern National Preserve. An offshore spill, as well as routine development, also risks harming Kasegaluk Lagoon, a significant beluga whale calving and migratory bird staging area. The Chukchi Sea and Hope Basin should therefore be excluded from development in the 5-year plan.

Northern Aleutian Basin: The North Aleutian Basin is valuable to the local communities for its abundant subsistence resources that sustain traditional cultures and ways of life. The North Aleutian Basin is protected, and will continue to be protected, by the Executive OCS Deferrals through 2012, and these sensitive waters thus cannot be included in the Five-Year OCS Program for 2007-2012. The North Aleutian Basin (Bristol Bay) is one of the most productive areas of the U.S. OCS. Several endangered species depend on these waters including the northern right whale whose critical habitat is likely to be designated within or directly adjacent to the area of highest industry interest. The region is ringed by unparalleled estuaries critical to the region's ecological productivity and the lease sale area overlaps with fisheries of national significance including pollock, cod, red king crab, herring and the world's largest salmon run. Bristol Bay fisheries are the base of the economy and livelihood for residents of the region. Bristol Bay is extremely sensitive to potential seismic testing, oil spills, and chronic pollutants from offshore drilling operations associated with both oil and natural gas development.

Cook Inlet: The Cook Inlet provides critical habitat for key subsistence species that the local Indigenous Native peoples rely upon. The Beluga Whale is now on the brink of extinction and Alaska Natives in the region feel that this is due to seismic disturbance among other factors. Oil companies operating offshore oil rigs in Alaska's Cook Inlet are exempt from U.S. laws against dumping toxic oil, grease, and wastewater directly into coastal waters. The Cook Inlet is the only offshore drilling area in the U.S. where platforms are allowed to dump oil and grease directly into the water. Beyond Toxic dumping, oil development in Cook Inlet poses oil spill and other risks to rich fisheries, declining populations of sea otters, depleted population of beluga whales, and critical habitat for endangered Steller sea lions, as well as the coastlines of Chugach National Forest, Lake Clark and Katmai National Park and Preserves, and the Becharoff, Alaska Peninsula, Kenai, and Alaska Maritime National Wildlife Refuges. Oil and gas infrastructure, along with its associated tanker traffic and pollution, are incompatible with the uses and plans established for many of these important areas and with the fisheries-based economies of the region. Additionally, the region's earthquake-prone nature and harsh operating conditions including extreme winds and tides make the likelihood of spills higher in this region than other OCS areas.

Numerous communities of the Lower Kenai Peninsula and on Kodiak Island base their economies and way of life on the sensitive marine systems of Lower Cook Inlet and Shelikof Strait, and any damage to these systems will have major impacts on these communities. Cook Inlet should not be included in the 2007-2012 program.

Offshore Development endangers marine ecosystem:

Oil and gas activities endanger the fragile marine environment off the coast of Alaska. Productive marine ecosystems, marine mammals, sea birds, and coastal communities are all at risk from potential blowouts and pipeline oil spills. The risks from unprecedented new technology of buried sub-sea oil and gas pipelines raise major questions about development throughout Alaskan OCS waters. We are also concerned about the chronic effects from smaller spills of dozens of toxic substances typical of North Slope oil field operations (not just spills of crude oil or spills greater than 100 bbl) and from disposal of drilling muds and cuttings in the ocean during exploratory drilling. Even small amounts of oil can negatively affect marine life. Oil pollution increases susceptibility to diseases in fish, inhibits phytoplankton productivity, and interferes with reproduction, development, growth, and behavior of many species throughout the food chain. Additionally, marine life is threatened by noise pollution generated by air and vessel traffic, drilling, platform work and seismic testing, the construction of causeways and docks, and the laying of miles of pipelines in or on the seafloor.

All of these activities pose unacceptable threats to subsistence use areas, protected areas, fisheries and wildlife, and endangered and threatened species and they would dramatically put Alaskan Native subsistence based communities along Alaska's coast in peril. Furthermore, oil produced in the Alaska OCS would be transported via oil tankers that pose risks not only to Alaska's coastal resources, but also to those in the lower 48.

Global Warming:

In 2001 at the request of the Administration, the National Academy of Sciences reviewed and declared global warming a real problem caused in part by human activities.

The burning of coal, oil and gas and cutting down forests cause global climate change by releasing greenhouse gases into the atmosphere. This is causing global temperatures to rise as excessive amounts of greenhouse gases accumulate in the

atmosphere. There are many noticeable impacts of Global Warming which is affecting the land, subsistence, health and well being of Indigenous peoples of Alaska.

MMS should consider all the new information on the presence, rate and impacts of global warming. In particular, MMS should consider the technical feasibility of construction and maintenance of pipelines, as well as the economic feasibility and means of reducing risks associated with these pipelines from the effects of shoreline erosion, permafrost, and ice gouging. MMS should also consider impacts on the Arctic ecosystem of global climate change taken together with the impacts from oil and gas exploration and development.

Other factors and recommendations:

Since the last 5-year planning process, new information about marine noise, cumulative impacts, the inability to clean up spilled oil in broken ice conditions, and traditional knowledge demands that the entire Alaska OCS should be excluded from development in the 5-year plan.

Recent studies indicate seismic activities related to oil and gas exploration can have substantial impacts on fish. MMS should not avoid an analysis of impacts to fish merely because seismic activity is permitted before leases are issued. Energy legislation signed into law earlier this year sets the stage for a geologic "inventory" of potential drilling targets on the entire American OCS, including areas within sensitive coastal waters long protected by the bipartisan congressional OCS Moratorium and by the Executive OCS Deferrals first enacted by former president George H.W. Bush in 1991. No permits or contracts for seismic air gun "inventory" activities should be issued by the Department of Interior in any area prior to the completion and consideration of the now-pending National Academy of Sciences study on the impacts of sound in the marine environment, the evaluation of the new National Science Foundation study on the impacts of geophysical activities in scientific research, and the consideration of all recent peer-reviewed international studies on damage to fisheries and marine mammals caused by air gun impacts. A comprehensive National Environmental Policy Act (NEPA) process, with a full EIS and requisite public review, must be completed prior to the issuance of any permit or regulations pursuant to the proposed seismic "inventory" of the OCS or the 5-year leasing program.

During the preparation of the 5-year program, MMS should also consider information about the difficulties faced by the oil industry in cleaning up oil spills during seasonal ice conditions. Across the arctic, fierce climatic conditions, high winds and seas, sea ice, and cold temperatures challenge offshore technologies and spill clean-up far beyond present capabilities. Recent oil-spill drills by oil companies and contractors have confirmed their inability to respond effectively to a spill in broken ice and open water conditions that prevail for most of the year in the Beaufort and Chukchi Seas, Hope Basin, Norton Sound and Cook Inlet. The Exxon Valdez oil spill of 1989 taught Alaskans and the world harsh lessons about the ability to clean up a significant oil spill. Scientific studies of the Exxon Valdez oil spill show long-lasting and significant damage to fish, wildlife, and subsistence cultures. MMS must paint a much more realistic picture of the impacts of oil spills so that the public can accurately judge the risks associated with oil leasing, exploration, and development.

MMS should also consider the cumulative impacts in designating the next 5-year planning areas. Cumulative impacts are occurring from the many chronic impacts of "routine" oil and gas operations, and could seriously impact the productivity of coastal ecosystems. MMS should assess the cumulative impacts from various sources, such as increased turbidity, underwater noise, drilling mud/cuttings discharges, produced water discharges, habitat alteration, seabed pipelines and rigs and vessels, infrastructure, fresh water use for ice roads, seismic activities, minor spills and leaks, and air and marine vessel traffic.

MMS should consider more carefully the traditional knowledge of the Inupiat concerning the dangers of broken ice, the changing climatic conditions, and the habits of the fish and wildlife of the Arctic Ocean. Too often, MMS states a piece of traditional wisdom and then concludes the opposite, without sufficient support to justify disregarding the Inupiat people's 4000 years of experience.

Renewable Energy:

The U.S. must break its dependence on oil—be it foreign or domestic—if we are to achieve true energy independence and national security. Limiting leasing and development in the 5-year plan could have an even more profound impact on this country's energy landscape if coupled with a re-direction of billions of dollars in federal subsidies, tax breaks and incentives away from fossil fuels and toward renewable energy sources, energy efficiency and conservation.

The United States generates about 25 percent of world petroleum demand. This fact alone indicates that Americans can have a much larger impact on global markets on the demand side than on the supply side. This conclusion is strengthened by the fact that there are large untapped energy efficiency resources, yet the United States government continues to focus almost exclusively on exploiting non-renewable oil and gas resources.

Energy efficiency alternatives to opening up these sensitive areas are numerous. Using available technology, we could save an average of 3.2 million barrels of oil per day within 10 years. This could be achieved by raising the fuel efficiency in new passenger vehicles, using fuel-efficient motor oil and replacement tires, improving efficiency standards in heavy-duty trucks, and encouraging growth of the biofuels industry, among other things. Through efficiency gains and fuel alternatives, U.S. oil consumption could be reduced almost 40 percent by 2025.

At a minimum, to avoid precluding renewable energy development in Alaska, MMS should not permit oil and gas activities in areas suitable for wind development. Areas offshore that contain the highest wind potential should not be developed for oil and gas. MMS should not hinder generation of renewable energy by displacing it with oil and gas development.

Conclusion:

The Five-Year OCS Leasing Program should not incorporate so-called "natural-gas-only" leasing. Exploration and development of gas resources produces routine discharges of spent drilling muds, produced waters, and highly-toxic metals and hydrocarbon compounds into the marine environment, in addition to creating a demand for onshore gas processing facilities in sensitive portions of the coastal zone. Further, legislative proposals for "gas-only" drilling have, to date, inappropriately incorporated provisions for the subsequent development of oil, should it be found in conjunction with gas on a "gas-only" OCS lease. Thus, "gas-only" leasing simply opens the door for oil drilling, with its attendant risk of oil spills.

If MMS decides to include parts of Alaska in the next 5-year plan, MMS should include in the plan a commitment to prepare a separate EIS for each of the lease sales to address the problem of the huge scope of the area at stake and the difficulty of preparing an adequately site-specific assessment of impacts for such large regions.

Due to the high probability of subsistence loss and harm to the Alaska Native coastal communities, we strongly urge that as part of OCS site specific EIS, incorporating Environmental Justice concerns in the NEPA analysis, for example, the consequences and loss to subsistence is studied as well as the ensuing factors of irreparable harm to human and ecological health such as, the high rate of asthma, cancer, upper respiratory illnesses, and diabetes, and the social ills that follow oil and gas development. The social factors and disproportionately high and adverse effects and cumulative and indirect effects that ought to be part of a study of oil and gas development on subsistence communities is the rising rate of alcoholism, suicide, domestic abuse, incarceration and drug abuse. In the National Academy of Sciences 2003 Cumulative Environmental Effects of Oil and Gas Development on Alaska's North Slope "Effects on the Human Environment" report, many of these statistics are documented. If all the environmental, subsistence and socio-economic consequences of OCS oil and gas leasing and development are studied and factored thoroughly, they would show that the cost of oil and gas development within Alaska Native coastal communities far outweigh the benefits and the damage is intergenerational and long-term, while oil and gas development is short term.

In accordance with NEPA, the EIS should discuss, in a transparent manner, opposing scientific viewpoints and rely on peer-reviewed information, comply with all applicable Executive Orders, examine the affect on all species and ecosystems, explain clearly how MMS conclusions are reached, and include easy to understand written and visual information about the risk of oil spills over time.

To meet its ESA obligations, MMS should formally consult with the Fish and Wildlife Service on the 5-year plan, since Alaska is home to numerous listed species, including Steller's and spectacled eiders, the Northern Sea Otter, Steller's sea-lions, and the bowhead, finback, and humpback whales. Additionally, MMS should formally consult with the Fish and Wildlife Service before each lease sale offered under the 5-year plan. In doing so, this process will also allow MMS to comply with the MMPA as well.

Alaska's seas are too productive and sensitive to allow OCS oil and gas development. Alaska's seas and coasts are by far the most biologically productive and sensitive of any in the entire nation, and among the most productive in the world. Alaska has the most abundant populations of fish, shellfish, marine mammals, and seabirds in the nation. Alaska's seas are economically important, sustaining over 100,000 jobs. Alaska is the only state in the nation where large portions of coastal

residents depend on marine resources for subsistence. The fierce climatic conditions, high winds and seas, sea ice, and cold temperatures challenge offshore technologies far beyond their capabilities at present. These conditions make ecosystems more vulnerable and less resilient to disturbance and perturbations. Because of the inhospitable climate, challenging spill response and extreme productivity/sensitivity of the marine ecosystems off Alaska, this is an inappropriate area for OCS exploration and development.

REDOIL strongly urges Alaska's entire OCS areas be removed from the five year plan, before any more activity ensues within these fragile ocean ecosystems and We further urge that Alaska OCS region be put off-limits to any oil and gas development (including exploration) in the OCS 5-Year Plan for 2007-2012. Exclusion of Alaska's OCS from oil and gas development is the only option that will guarantee the preservation of Alaska's diverse marine ecosystems, as well as the subsistence cultures and local economies that rely on those ecosystems.

Lastly and most importantly, REDOIL would also like to go on record supporting the testimony submitted by the Native Village of Point Hope, specifically the following points:

Though REDOIL, and Alaska Native Coastal communities, including Federally Recognized tribes in Alaska have consistently objected to Alaska OCS development, we are simply being ignored within this process. This is unacceptable in the highest regards.

In each hearing or public comment within Alaska Native coastal OCS impacted communities, there has been serious breaches of fiduciary trust responsibility. For instance, the consultations that have taken place within communities on the North Slope have been done with weighing only the interests of state created entities, and non profits, and the Federally recognized tribes are ignored. Community leaders were told by the oil companies that they only deal and work with the Alaska Eskimo Whaling Commission (AEWC) per direction given from the Minerals Management Service. Any sort of consultation should be done with the tribal governments and not with non-profit organizations (such as AEWC) that truly do not represent the view of the tribes. Therefore, we request that the Office of the Inspector General do a complete investigation on the MMS and its cooperating agencies for enforcement purposes along with correcting the inadequacies of these agencies.

Coastal communities put in detriment by proposed Outer Continental Shelf development have consistently and strongly expressed opposition to any seismic activity and any other activity that relates to oil, gas and exploration and development to protect subsistence resources. On February 23rd, 2005 the Native Village of Point Hope passed Resolution 05-06 to "Strongly Oppose the Development of Oil and Gas in the 1002 area of the ANWR and Offshore Waters of the Arctic Ocean, Chukchi Sea, and Beaufort Sea".

Seismic surveys have significant and potential harm to marine life, including fish and endangered whales. By allowing future seismic surveys to continue in the Chukchi and Beaufort seas, there can be and have been severe impacts to fish, marine life and the Native Villages within the region.

In Point Hope, last year when seismic surveys started the walrus scattered straight to Russia bypassing Point Hope altogether preventing the community from harvesting any walrus last fall. There have been reports by some community members that cite dead fish and other marine life on the beaches there shortly after and during the seismic surveys last fall. We once again reiterate that Traditional Ecological Knowledge of the community members within the OCS communities must be given just as much weight in these matters as western science, and it is very obvious through testimony from Point Hope that seismic activities have severely harmed subsistence resources within the Chukchi Sea.

As marine science and the courts have increasingly recognized, intense underwater sound can have a range of delirious effects on marine mammals and other marine life. e.g., National Parks and Conservation Association v. Babbitt, 241 F.3d 722 (9th Cir. 2001); NRDC v. 279 F. Supp. 2nd 1129 (N.D. Cal. 2003). Inupiat communities strongly advise that the offshore oil and gas activities also has dramatic and irreparable effects on marine life.

The displacement and possible irreparable harm though declines in the availability and viability of prey species, such as fish and food that whales depend will be reduced dramatically causing undue hardship for communities. The Incidental Harassment authorizations that were issued last year should not have been made for the reasons stated above along with the ongoing litigation concerning how they were approved

Finally, REDOIL supports the Alaska Native communities opposition and zero tolerance on any oil and gas activities that will threaten their renewable resources. Oil and gas activities offshore pose an imminent threat to their continued existence

and subsistence way of life, and therefore we call for an immediate cease of all activity toward OCS development.

Sincerely,

Faith Gemmill, Outreach Coordinator
Resisting Environmental Destruction on Indigenous Lands

[A letter submitted for the record by the Bristol Bay Native Association, Bering Sea Fishermen's Association, Bristol Bay Economic Development Corporation, et al., follows:]

Bristol Bay Native Association
Bering Sea Fishermen's Association
Bristol Bay Economic Development Corporation
Alaska Independent Fishermen's Marketing Association
Bristol Bay Driftnetter's Association
Bristol Bay Reserve

December 7, 2006

President George W. Bush
The White House
Washington, DC 20500

Dear Mr. President,

Our organizations would like to set the record straight and underscore the value of Alaska's invaluable fisheries. The positions our organizations share accurately reflect the views of the 128 Alaskan communities and of the thousands of resident subsistence and commercial fishermen who depend on the rich fisheries resources of Bristol Bay for survival.

We have not taken our position against off-shore development in the North Aleutian Basin arbitrarily, nor was it done without thoughtful consideration. We have measured the potential benefits and risks and have found them to be weighed against us. We also considered the oil and gas industry's inept oil spill detection and response capabilities as they were clearly demonstrated by the Exxon Valdez disaster and, more recently, by BP's neglect of the trans-Alaska pipeline at Prudhoe Bay. We greatly fear such disasters in the North Aleutian Basin, which would destroy our commercial and subsistence fishing way of life and our economy. A lease sale was previously held in this area in 1988. It took a lot of hard work and an act of Congress to protect it with a Congressional moratorium that revoked all leases that were sold. Our concerns and the need to protect our fisheries and our way of life have not changed since 1988.

The North Aleutian Basin was highlighted by the North Pacific Fisheries Management Council (NPFMC) as an extremely productive fishing area for the federal fisheries under their management in the Bering Sea. There are world-class marine resources and sea life at the very point in which it is preliminarily planned to place four offshore oil and gas platforms. The North Aleutian Basin supports some of the North Pacific's richest fisheries resources. The world's largest sockeye salmon run migrates through the basin. King crab, pollock and cod fisheries have had long and productive histories in the area. The area also features schools of herring that sustain fish stocks throughout the Bering Sea as well as a primary halibut nursing ground.

The economics of the fisheries that depend on the North Aleutian Basin have sustained an annual average wholesale value of about $450 million dollars; we estimate the retail value to be nearly $2 billion annually. The snapshot of oil and gas development for this area does not compare to the longevity of these fisheries or to the future value. The Bristol Bay salmon fishery alone maintained an average annual catch value of $105 million from 1980-2003. This represents a 20-40% total value of Alaska's salmon fisheries. Jobs in Bristol Bay that depend on fisheries and wildlife provide an annual payroll of about $175 million. The economic benefits and impacts of Alaska's fishing industry extend far beyond the region in which they are located as the Commercial Fisheries Entry Commission reports 41% of the Bristol Bay Drift and Set Gillnet permit holders to be residents of states other than Alaska.

Even though the North Aleutian Basin does not directly overlap with the Bristol Bay salmon fisheries it provides significant habitat for salmon. Salmon smolt outmigrate through the area and adult salmon migrate through the area on their way to spawn in Bristol Bay Rivers. Juvenile salmon also feed and grow to maturity within and surrounding the area. Clearly, leasing in the North Aleutian Basin poses serious risks to salmon. Even a small spill or contamination event could damage the ability to market Bristol Bay salmon and could harm new efforts to increase their value.

The following is a short list of fisheries-catch information for federal areas 509, 516, and 512. These federal areas overlap the North Aleutian Basin. (Percentages reported by the NPFMC).

- 21% of Bering Sea pollock trawl fishery
- 40% of Bering Sea Pacific cod trawl fishery
- 55% of Bering Sea flathead sole trawl fishery
- 28% of Bering Sea cod pot fishery

The North Aleutian Basin falls within the halibut nursery, closed to halibut fishing by the International Pacific Halibut Commission since 1967. The area also falls within designated Essential Fish Habitat for red king crab.

Bristol Bay's renewable resource abundance and marketing potential stand in contrast to the potential negative risks of oil and gas development, which include the impacts of seismic testing, the disposal of contaminated drilling mud, and both major and minor petroleum spills. Potential risks are increased by the severe and hazardous weather conditions that exist in the region for a great part of the year.

We rely on exceptional and irreplaceable resources for survival and we are not willing to risk them. We appreciate your consideration of our comments and concerns.

Respectfully,

H. Robin Samuelson
President and Chief Executive Officer
Bristol Bay Economic Development Corporation

Ralph Andersen
Chief Executive Officer
Bristol Bay Native Association

Wam B. Johnson
Vice-President
Bristol Bay Driftnetters Association

Karen Gillis
Executive Director
Bering Sea Fishermen's Association

Warren P. Gibbons
Director
Bristol Bay Reserve

David Harsila
President
Alaska Independent Fishermen's
Marketing Association

Responses to this correspondence may be sent to:
Bering Sea Fishermen's Association, 705 Christensen Drive, Anchorage, AK 99501

[A statement submitted for the record by Marvin Odum, Executive Vice President, EP Americas, Shell Energy Resources Company, follows:]

Statement submitted for the record by Marvin Odum,
Executive Vice President, EP Americas, Shell Energy Resources Company

Mr. Chairman and members of the subcommittee,

Thank you for the opportunity to submit testimony before the Committee on this important hearing regarding the future of the Federal offshore oil and gas program. On April 30, the Department of the Interior released its Proposed Final 2007—2012 Program for Oil and Gas Leasing on the Outer Continental Shelf. While we believe the plan falls short of what is needed for this nation to secure its energy future, we are pleased that additional acreage has been included.

The nation can only hope to meet its future energy needs by exploring and developing new domestic energy resources, encouraging conservation and efficiency, and developing alternative energy sources. To accomplish this we need access to new areas.

But, exploring and developing new areas of oil and natural gas takes a long time—years, in fact—which is why it is essential for us to act now. This is especially true for frontier areas. Recent discoveries in deepwater Gulf of Mexico reflect decisions on leasing and exploration taken over a decade ago. If a lease sale were to take place today in a new area, the region would not likely be ready to deliver oil and natural gas to market for 10 years or more.

The devastating impact to Gulf of Mexico (GOM) energy operations by the 2005 hurricanes, declining production from mature domestic fields, growing global demand, and rising energy prices have captured the attention of the American public and policy decision makers.

The nation now has the opportunity to engage in real dialogue about our energy future, and the critical need to explore for domestic offshore resources and many people are making their voices heard. During the three comment periods associated with the development of the Proposed Final Plan that sits before us today—75 percent of the comments gathered in the Final Comment Period support access to new offshore areas.

The Proposed Final Plan consists of 21 lease sales—12 in the Gulf of Mexico, eight offshore Alaska and one in the Atlantic. Shell is pleased to see that sales in the plan are proposed for new acreage in three areas: the Central and Eastern Gulf of Mexico Planning Areas; the North Aleutian Basin offshore Alaska, and the Mid-Atlantic Planning Area offshore Virginia.

MMS estimates that by including these new areas, production gains of 10 billion barrels of oil and 45 trillion cubic feet of natural gas over 40 years are possible, and the benefit to the nation would total about $170 billion. But the bottom line is that we will not know for sure how much natural gas or oil exists in any new area until exploration activities begin.

Much of the focus of today's hearing is on the inclusion of the North Aleutian Basin in the MMS Five Year Plan. Shell believes that prior to entering a new area it is absolutely essential to hold extensive engagements with all interested to stakeholders to discuss and address concerns and questions. We are already doing this in communities near the North Aleutian Basin, and we would welcome the opportunity to work with Congress, the Administration, the environmental community and all stakeholders to have a frank and honest discussion about offshore oil and gas activities in these communities and around the nation.

The three boroughs nearest the proposed lease sale area have been supporters of taking steps needed to enable an offshore oil and natural gas program in the North Aleutian Basin. However, the support of the community and civic leaders in the region is contingent on the existence of proper mitigation measures and environmental safeguards. Shell supports such safeguards and believes that oil and gas development should only take place in the North Aleutian Basin after detailed studies are completed, with participation and review by third parties, to assess impacts of proposed activity on the region's fisheries, culture and economy.

MMS and NOAA just announced that they will conduct a $5 million, three-and-a-half year collaborative study on the North Pacific right whale, whose habitat coincides with part of the area proposed for leasing. Shell is strongly supportive of this effort, and stands ready to work with any interested stakeholder to determine what other studies are needed.

Shell fully supports expanded research and development of state-of-the-art oil spill response capabilities, including ocean monitoring. In fact, Shell has created one of the most comprehensive spill prevention and control plans ever developed for the Arctic environment. We also support extensive analyses on the probability of oil spills, current technologies available for oil spill prevention and response, and an assessment of the impact a spill could have on the region's fisheries.

Shell believes that the success of the MMS Five Year Plan, with the inclusion of new areas, is critical to the future of U.S. domestic energy supply. We look forward to working with the federal government, states and local communities, environmental organizations and other stakeholders as we move forward in implementing the plan.

[A letter and resolution submitted for the record by Jack Schaefer, Vice President, Native Village of Point Hope, follows:]

Native Village of Point Hope
P.O. Box 109
Point Hope, Alaska 99766
(907) 368-2330
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June 26, 2007

Mr. Jim Costa, California, Chairman
Subcommittee on Energy and Mineral Resources
1626 Longworth House Office Building
(202) 225-9297 Fax: (202) 225-5255

E-Mail: Holly.wagenet@mail.house.gov .

RE: Testimony for the Subcommittee on Energy and Mineral Resources: Oversight Hearing on "The Minerals Management Service's Proposed 2007-2012 Program for Oil and Gas Leasing on the Outer Continental Shelf" held June 28, 2007-Comments on OCS Oil and Gas Activities in the Arctic offshore in the Arctic Ocean, Chukchi Sea, Beaufort Sea

Dear Mr. Costa:

To protect our subsistence resources, the Native Village of Point Hope (NVPH), a federally recognized sovereign tribe, expresses its opposition to all leasing of the outer continental shelf in the Chukchi and Beaufort Seas as well as any seismic activity and any other activity that relates to oil, gas and exploration and development. On February 23rd , 2005 the Native Village of Point Hope passed Resolution 05-06 to " Strongly Oppose the Development of Oil and Gas in the 1002 area of the ANWR and Offshore Waters of the Arctic Ocean, Chukchi Sea, and Beaufort Sea". As you may know we have been cooperating with the federal government when there was an establishment of a Bowhead whaling quota (discretionary), which caused a reduction in our whaling harvest forcing us to rely on gathering more fish and marine mammals to make up the reduction of our nutritional needs. Now we are faced with a very strong possibility of another reduction of our subsistence resources.

We feel the Five-Year Plan poses an unacceptable risk to the Arctic Ocean and that the Native communities of Alaska's North Slope are being subjected to an inequitable share of the environmental risks. With increased leasing in the Beaufort and Chukchi Seas come more seismic surveys, which have significant and potential

harm to marine life, including fish and endangered whales. By allowing future seismic surveys to continue in the Chukchi and Beaufort seas can and have severely impacted fish, marine life and the Native Villages north and south of us. Last year when seismic surveys started the walrus scattered straight to Russia bypassing Point Hope all together preventing us from harvesting any walrus last fall. There have been reports by some of our community members of seeing dead fish and other marine life on the beaches here shortly after and during the seismic surveys last fall, which was stated during the public hearing that was held on April 23, 2007 (see attached). The displacement and possible irreparable harm though declines in the availability and viability of prey species, such as fish and food our whales depend on our harvest of fish and marine mammals will be reduced dramatically causing undue hardship for us. The Incidental Harassment authorizations that were issued last year should not have been made for the reasons stated above along with the ongoing litigation concerning how they were approved. We request that the Office of the Inspector General do a complete investigation on the MMS and its cooperating agencies for enforcement purposes along with correcting the inadequacies of these agencies.

As marine science and the courts have increasingly recognized, intense underwater sound can have a range of delirious effects on marine mammals and other marine life. See,e.g., National Parks and Conservation Association v. Babbitt, 241 F.3d 722 (9th Cir. 2001); NRDC v. 279 F. Supp. 2nd 1129 (N.D. Cal. 2003). We feel the same about offshore oil and gas activities also have dramatic effects on our marine life. The Native Village of Point Hope has zero tolerance on any oil and gas activities that will threaten our renewable resources. Oil and gas activities offshore pose an imminent threat to our continued existence.

The consultations that have taken place in Point Hope have been one sided in regards to answering questions about possible impacts. We were told by the oil companies that they only deal with the Alaska Eskimo Whaling Commission (AEWC) per direction given from the Minerals Management Service. We feel consultation MUST be done with the tribal governments and not with a non-profit organization. We believe AEWC was only formed to raise funds for the whaling crews. There were no answers given in regards to what impacts that have accrued from seismic activities around the arctic or any where in the oceans. We were only able to rely on information stated in a letter written by the Natural Resource Defense Council sent to NMFS on May 10th 2006. Since then there has been other comments submitted by Red Oil, Earth Justice, Center for Biological Diversity, and others for which we agree with the issues and arguments contained in their comments along with Whit Sheard's testimony that will be submitted to you. That information seemed fairly reliable along with the little information found on the internet. It is pretty clear that the seismic surveys impacts far exceeds incidental take of animals and fish. Incidentally, there are "fingerling" fish from the Bristal Bay area that come to the Arctic Ocean to mature before returning to the Bering Sea to be harvested by subsistence and commercial users. There is also no proven way to clean-up and remove oil from ice covered ocean water. When there is an oil

spill the impact will be absolutely tremendous which will irreparable for many generations to come. We therefore object to any oil and gas activities referred to in our resolution 06-05 "A resolution to strongly oppose the development of oil and gas in the 1002 area of the ANWR and off shore waters of the Arctic Ocean, Chukchi Sea, and Beaufort Sea".

Respectfully yours,

Jack Schaefer
Vice President

Cc: Rance R. Wall MMS
ICAS
NVPH Council
NVPH EPA Department
Craig Perham USFWS

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RESOLUTION 05-06

A RESOLUTION TO SRONGLY OPPOSE THE DEVELOPMENT OF OIL AND GAS IN THE 1002 AREA OF THE ANWR AND OFFSHORE WATERS OF THE ARCTIC OCEAN, CHUKCHI SEA, AND BEAUFORT SEA

WHEREAS: the Native Village of Point Hope, IRA is a federally recognized tribal government organized under the Indian Reorganization Act of 1934 as amended for Alaskan Natives in 1936; and

WHEREAS: the Native Village of Point Hope is responsible for the well being of its members; and

WHEREAS: in 1992 we the Inupiat of Point Hope have adopted the Code of Offenses Against the Peace and Security of the Inupiat People of Point Hope, and

WHEREAS: we adopted this code in order to better protect our selves from policies of the United States which have historically disregarded the well being of the indigenous peoples, and

WHEREAS: we recommend to all Traditional Native Governments and IRAs, that they adopt, by their own majority, this Code of Offenses Against the Peace and Security of Mankind (a international code), and

WHEREAS: the marine mammals, migratory birds, and fish migrate to and from, through our oceans and land, and

WHEREAS: continued development and exploitation of our land and sea poses a eminent threat to our well being, and

WHEREAS: the objective of the current administration in Washington D.C. as voiced by the House majority leader Tom Delay, is to open the ANWR in order to create a precedent that will allow resource exploration and exploitation in wilderness areas, marine sanctuaries, pristine offshore waters, and refuges nationwide, neutralizing and diminishing the Marine Mammal Act, Endangered Species Act, and the International Bird Treaties, and

WHEREAS: ANWR and the 1002 area is critical to the existence of the Porcupine Caribou Herd, migratory birds, and other subsistent resources that are essential to the sustenance of all native arctic inhabitants who have depended on these resources since time immemorial , and

WHEREAS: the residence of our villages also depend on the wildlife resources of the Beaufort Sea, Chukchi Sea, and the Arctic Ocean and these waters are also critical to the sustenance of the Inupiat people and these waters are also being considered for offshore development, and

WHEREAS: all indigenous peoples and communities are concerned about their continued sustenance from land and sea and the continuance of traditional hunting, fishing, and agricultural practices and that these are supportive of each other and the Inupiat peoples rights to self-determination and have and continue to voice that support, and

THEREFORE BE IT RESOLVED: that we the Native Village of Point Hope and the villages of the North Slope strongly oppose the development of oil and gas in the 1002 area of the ANWR and offshore waters of the Arctic Ocean, Beaufort Sea, and Chukchi Sea, and call on the President of the United States and its Congress to reject any attempts to diminish the preserved status of the 1002 area of ANWR

CERTIFICATION

opposing offshore drilling

It is hereby certified that on the February 22nd, 2005, a quorum of the Native Village of Point Hope Council was formed and that the [redacted] resolution was duly adopted such meeting by 6 affirmative votes, 0 negative votes, and 1 not voting.

SEAL ATTEST

Charlie Kinneeveauk, President

Dorcus Rock, Secretary

[The response to questions submitted for the record by Mr. Cruickshank follows:]

Response to questions submitted for the record by Walter Cruickshank

Questions submitted by Chairman Jim Costa

WHY DIDN'T MMS DO MORE?

1. Mr. Cruickshank, as I mentioned in my opening statement, I believe that your agency could have been much more visionary with this plan. Why didn't you look more broadly than Virginia?

Answer: Since 1982, Congress has included language in the Department's annual appropriations bill preventing the expenditure of funds on pre-leasing activities in many of the Outer Continental Shelf (OCS) Planning areas. In addition to annual moratoria, on June 26, 1990, President George H. W. Bush withdrew numerous and extensive areas of the OCS under the authority of section 12(a) of the OCS Lands Act, as amended. President Bill Clinton, on June 12, 1998, extended and expanded the administrative withdrawal until 2012. The annual legislative moratoria coupled with the presidential withdrawal are a significant constraint to MMS proposing a more expanded program. An area offshore Virginia was considered this year in spite of these historic constraints, in part due to requests made by the Commonwealth of Virginia in comments received during development of the 5-Year Program. Additionally, the Virginia State Legislature's passage of SB 262 included express changes to the state policies, laws and stated goals with respect to exploration and development of the OCS. The Department and MMS are open to talking and working with states that are interested in considering the environmentally sound development of the Federal OCS energy resources needed by our nation.

2. Does MMS ever conduct the type of analysis that you do here, the Section 18 analysis, in the absence of a specific plan for a lease sale? This analysis would be very helpful to help us decide if other regions should be opened for leasing or not. But if you have to wait until you propose a sale, we might never get that analysis.

Answer: Section 18 mandates the Secretary to prepare and maintain an oil and gas leasing program that lays out a schedule for proposed lease sales over a 5-year period. The program must be based on consideration and analysis of principles and factors specified by Section 18. This Section 18 analysis considers such factors including, among others, geologic and geographic characteristics; location of national and regional energy markets; industry interest; environmental and other information; and laws, goals, and policies of affected states. Analysis of information relating to those principles and factors produces results that MMS uses to develop reasonable options as to size, timing, and location of potential lease sales, not for the individual lease sales that are included in an approved final 5-Year Oil and Gas Leasing Program. The Section 18 analysis recognizes the constraints of the legislative moratoria and the presidential withdrawal that in large measure reflect the interests of the coastal states, in the process of balancing the many factors in determining if other regions would be opened for leasing or not. To begin the 5-year preparation process under section 18 of the OCS Lands Act, in August 2005, MMS requested information on all 26 planning areas, without regard to whether the areas had been leased or were under restriction. As a result MMS did section 18 analyses on all 26 planning areas as laid out in Part IV of the Draft Proposed Program (DPP), using all available information. Individual sale areas are analyzed in more detail prior to a proposed sale, including NEPA, CZMA, Endangered Species Act, Marine Mammal Protection Act compliance and consultation with Governors. However, this detailed analysis can only be done for proposed sale areas that have been included in the 5-Year Program.

3. If you were to conduct a Section 18-type analysis for all the planning areas, how much time would that take and how much would it cost?

Answer: To begin the 5-year preparation process under section 18 of the OCS Lands Act in August 2005, MMS requested information on all 26 planning areas, without regard to whether the areas had been leased or were under restriction. As a result MMS did section 18 analyses on all 26 planning areas as laid out in Part IV of the Draft Proposed Program (DPP), using all available information. In many areas, particularly where there had either been no leasing activity or it had been many years, there was little information or the information was very dated. After the publication of the DPP, MMS properly limited the analysis to areas actually being proposed for leasing. Therefore, MMS can and did do section 18 analysis of the entire OCS. However, the usefulness of the analysis is limited by the quality of the information available for many areas. Furthermore, MMS does not collect geological and geophysical information needed for resource evaluation itself but utilizes the information gathered by industry. As such data gathering does not generally occur without some commercial purpose, i.e. a potential lease sale, there is little or no information for areas that have not been offered ever or for many years. Similarly, MMS focuses its environmental research on areas where there may be activity; to ensure current information is available for decision-making.

WEATHER CONDITIONS IN THE BERING SEA

4. Mr. Cruickshank, I have heard some concern about the severe weather conditions in the Bristol Bay, but I have also been told that the conditions there are no different from the North Sea, which has extensive oil and gas production. Is that correct? Could you give us any additional detail on that?

Answer: There are similarities. Oil and gas have been produced in the harsh conditions of the North Sea for more than 40 years. Norway, the UK, Denmark, Germany, and the Netherlands all produce oil and gas in the North Sea. Norway is the leading North Sea oil and gas producer, and is also the world's leading offshore oil producer. Current Norwegian oil production is about 2.5 million barrels per day or about double U.S. OCS production. Meteorological and oceanographic conditions in the Norwegian sector of the North Sea are comparable to those in Bristol Bay and the North Atlantic offshore Canada (Sable Island and the Grand Banks), where oil and gas are also produced. As an example, one measure for comparing weather conditions in the North Sea and North Aleutian Basin (NAB) is wave height. This measure integrates wind, other factors associated with storms, enhancement of waves from tidal action and shallow depths (<100 meters), and is a measure of the severity of the ocean environment. In the North Sea the average wave height of

about 3 meters is exceeded for 10 percent of the time over the year. In the North Aleutian Basin the average wave height is about 3.2 meters, and it is exceeded for 10 percent of the time over the year. Variations from these averages can be extreme in both areas and waves greater than 4 meters can predominate in winter months in both areas. Thus, on the basis of average wave heights and the similar frequency of exceeding the average wave height achieved in severe weather, it could be concluded that the two areas are very similar. Norway, a nation with a strong safety and environmental culture, has achieved an outstanding safety and pollution prevention record.

COEXISTENCE WITH FISHERIES

5. Mr. Cruickshank, I know one of the big concerns in some of these unopened areas is that there will be conflicts with the local fishing industry. But aren't there locations throughout the world where fishing coexists with oil and gas development? Louisiana, for example, has the densest network of offshore oil and gas development in the country, yet it also has the second biggest commercial fishery in the country, right behind Alaska.

Answer: Fishing activity, both commercial and recreational, often coexists with oil and gas development with minimal conflict. This has been demonstrated by years of experience in the Gulf of Mexico, particularly off the coasts of Louisiana and Texas. In fact, many fishermen actively seek out oil and gas structures as the fishing in the vicinity of these structures can be excellent. Fixed platforms offer excellent fishing for species such as snapper, grouper, and amberjack; floating production structures in deeper water offer excellent fishing for pelagic species such as tuna, wahoo, and marlin. Commercial landings in Louisiana and Texas are more than four times larger than before the onset of oil and gas development and represent over 34% of the commercial fish landings in the continental U.S. Through appropriate NEPA process, and various other avenues of consultation and coordination, MMS has been able in the past to develop mitigating measures that are designed to address any space-use conflicts with the fishing industry and other ocean users when they occurred.

ACCESS TO GAS AND OIL IN THE CHUKCHI SEA

6. Mr. Cruickshank, the proposed final program states that the large quantities of gas in the Chukchi are effectively stranded because there's no transport system. Is that because of a need for an Alaskan natural gas pipeline?

Answer: All natural gas resources in Arctic Alaska, both on the North Slope and in the offshore Chukchi and Beaufort seas, are "stranded" because there is no gas transportation system to market. The commercial aspects of different transportation systems have been studied over the years including a gas pipeline to the Lower 48 U.S. markets. However, there are other alternatives, including liquefied natural gas (LNG) shipments by sea. The Alaskan North Slope holds significant natural gas resources—about 35 trillion cubic feet of gas has been discovered and documented to date—with additional supplies likely elsewhere on the North Slope and Arctic OCS. Undiscovered Alaskan gas resources are expected to be huge—estimates of the total resource base in greater northern Alaska are 224 trillion cubic feet (Tcf) (onshore—119.2 Tcf; Chukchi Sea—76.8 Tcf; Beaufort Sea— 27.6 Tcf). Currently, natural gas in northern Alaska is mostly re-injected to support oil production because there is no pipeline to deliver it to the lower-48 states. Developing the initial pipeline system from Alaska to major North American markets remains a challenging undertaking. Gas discoveries in the Chukchi could play a key role in supporting the construction of any gas delivery system from northern Alaska because it would extend the life and/or increase the capacity of the project, thus increasing the commercial viability of the project.

7. Will the lease sales in this 5-year program have any effect on accelerating access to that gas? That is, if leasing of the Chukchi is delayed from the schedule in this proposal, will that push that 2025 date back at all?

Answer: Yes, leasing is the first step in the exploration process, so delays in lease sales would delay subsequent activities. Because of remoteness and seasonal constraints, it typically could take 10 years or more from a lease sale to the start-up of production resulting from successful exploration. Even if leasing is not delayed, future gas production could still be delayed because there is no transportation system to deliver any discovered gas to market. Gas discoveries would be stranded in the Chukchi just as they are at the present time on the North Slope. However, a large gas discovery in the Chukchi could accelerate a gas project and possibly justify a larger capacity gas pipeline. Currently, about 35 trillion cubic feet (Tcf) of known

gas reserves have been identified on State lands (onshore and nearshore) in northern Alaska. A gas discovery at the Burger prospect in 1990 suggests that large gas pools are present in the Chukchi Sea OCS. There are currently no active leases in the Chukchi area and the Burger prospect will be available for leasing in the lease sale scheduled for February 2008. Additional drilling will be needed to define the size of the Burger prospect as well as other prospects in the area. Nearly 60 Tcf of gas reserves need to be identified to support the planned 4.5 billion-cubic-feet-per-day capacity to be carried by a North Slope gas pipeline during its 35 year project life. Undiscovered Alaskan gas resources are expected to be huge—estimates of the total resource base in greater northern Alaska are 224 Tcf (onshore—119.2 Tcf; Chukchi Sea—76.8 Tcf; Beaufort Sea—27.6 Tcf). Additional gas discoveries in the gas-prone Chukchi Sea could provide needed incentives (additional reserves) to support the gas pipeline project.

8. The 5-year program predicts that 1 billion barrels of oil will be produced from leases in the Chukchi Sea. Is that oil to be produced in the next five years? If not, when do you expect it to be produced?

Answer: The 2007-2012 5-Year Programmatic EIS assumes that the activities associated with OCS leasing in Alaska would take place over a 40-year time period. The scenario for the analysis in the EIS begins with leases being issued during 2007-2012; continues through exploration, development, and production; and ends with decommissioning at the end of the 40-year period. The 2007-2012 5-Year Program EIS assumed that a total of 0.5 to 2.0 billion barrels of oil would be produced in the Arctic OCS of Alaska, from either the Chukchi Sea, the Beaufort Sea, or both combined.

MMS believes that a huge oil discovery (possibly a 1-billion barrel oil discovery) would be necessary to justify the first stand-alone field in this frontier area. The 1 billion barrels of oil referenced in the question refers to the amount of oil assumed to be developed in the scenario for the analysis in the Chukchi Sea Sale 193 EIS. It does not represent a prediction of future production. Typically, it takes 10 years or more between the important first step of leasing and production start-up in frontier areas of the OCS, like the Chukchi Sea, so Chukchi oil should not be expected in the next 5 years. The scenario analyzed in the EIS estimated that a lease sale in 2008 could be followed by a commercial discovery in 2010 and oil production starting in 2020. Oil production from this hypothetical field would last until 2044.

For the Chukchi Sea, our 2006 National Assessment estimated that technically recoverable oil amounts to about 15 billion barrels (mean), with a 5% chance of 40 billion barrels. Recoverable gas is estimated at 77 trillion cubic feet (mean), with a 5% chance of 210 trillion cubic feet. These values give a picture of what may be there, but actual amounts that could be developed depend on future oil and gas prices and sufficient exploration to find commercial-size fields.

ALTERNATIVE LEASING SCHEMES

9. Mr. Cruickshank, in the proposed final program, there are several mentions to alternative leasing schemes that were suggested by the State of Louisiana. But there are no details about what those schemes are. Could you give us a little more detail on that?

Answer: The State of Louisiana commented on using alternative leasing schemes in several letters to MMS in 2006, addressing concerns regarding the currently used area-wide leasing scheme. Under current area-wide leasing, used by MMS since 1983, entire planning areas are made available for bidding in a given lease sale, subject to selected withdrawals mostly due to environmental and national defense considerations.

The MMS has considered the State of Louisiana's comments on leasing schemes that could serve as alternatives to area-wide leasing. Such schemes could involve the design of smaller sale offerings; resulting in fewer tracts leased. These schemes could involve requests for nomination of a limited number of tracts from industry, the selection of tracts to be included in the sale by MMS, and revision of fiscal terms to target certain leasing goals related to size and location. The MMS has decided to conduct a detailed independent analysis of these alternative approaches which would identify their broad programmatic implications in comparison to MMS' responsibilities under the OCS Lands Act. It is anticipated that the design and conduct of this detailed analysis could take up to several years to complete. If it is determined that some alternative approaches to leasing are preferable after the completion of the analysis, the 5-year program for 2007-2012 could be adjusted accordingly or the alternative approaches could be incorporated into the subsequent 5-year program for 2012-2017.

10. Does the Minerals Management Service have any preliminary thoughts on these schemes? Has industry provided any input on these?

Answer: While considering ways to address the State's concerns, MMS must be cognizant of the effects any policy changes might have on the achievement of other statutory and implicit goals of the Federal OCS program. Among these are expeditious and orderly development of oil and gas resources and maintaining a diverse and competitive industry. Area-wide leasing allows smaller independent companies to rapidly produce low-resource, low-risk fields, while larger companies push the edge of the technology envelope in deep water. It also encourages strong and innovative seismic exploration and geophysical contracting and processing industries. In addition, a sudden change in policy that restricts access to oil and gas resources, or that alters the timetables the offshore industry has come to depend on, may lead to undesirable socioeconomic disruptions in local coastal economies. We expect our upcoming, detailed analysis of alternatives to area-wide leasing to address such possible consequences. Therefore, pending completion of that analysis, MMS believes that it is appropriate to continue the area-wide approach in the Gulf of Mexico for the near future.

11. Does the Minerals Management Service need any Congressional authorization to change the way lease sales are conducted?

Answer: The Secretary currently has discretionary latitude in determining the size, timing and location of lease sales, as well as the terms and conditions of those sales. With this discretion comes the responsibility to ensure that terms and conditions chosen for a lease sale provide a fair return to the American people for these national resources. An independent analysis is being conducted to look at possible alternative leasing schemes to see if we can improve the way that leases are offered.

AREAS OPENED BY THE GULF OF MEXICO ENERGY SECURITY ACT

12. Mr. Cruickshank, what sort of interest have you seen from industry regarding the new areas opened up by the Gulf of Mexico Energy Security Act? I notice that the sale in the Eastern Gulf is scheduled for next year. Is the industry ready to start leasing that region at this point?

Answer: Industry interest for these new areas has always been high, especially in the areas to be offered in Sale 205 in October 2007, and for the area in the new Eastern Planning Area, Sale 224, which is scheduled for March 2008. Since most of the acreage available in Sale 224 area is covered by 3D seismic data, we believe industry will bid aggressively.

13. How about the so-called 181 South region, which is a bit further out. Will that be part of the Central Gulf of Mexico sale being conducted later this year? What sort of industry interest has there been in this region?

Answer: The 181 Area South is tentatively scheduled as part of Central Gulf of Mexico Sale 208 in March 2009. Due to the need to conduct environmental analyses for the area as well as the lack of seismic data coverage over this area, the sale could not reasonably be scheduled for an earlier date. Presently, there is one active seismic permit acquiring 2D seismic data over this area. Due to the seismic acquisition activity and the anticipated resource potential, we anticipate strong industry interest in the 181 South region, especially the northern portion which is closer to existing infrastructure. The Call for Information (Call) and the Notice of Intent to Prepare an EIS for this area was published in the Federal Register in on September 10, 2007. Depending on any industry responses to the Call, we may gain more insight into industry interest in the area.

BRISTOL BAY BUYBACKS

14. Mr. Cruickshank, I understand that the area currently being proposed for leasing in the North Aleutian Basin previously had leases on it, which were subsequently bought back by the federal government. Could you describe why you think we can explore that area properly now, when we couldn't in the recent past?

Answer: The State of Alaska and the local governments asked MMS to consider an offshore lease sale in the North Aleutian Basin because development with proper safeguards would provide a broader economic base for this area. The North Aleutian Basin is relatively shallow (100-300 ft) and lies south of the typical reach of the Bering Sea seasonal (winter-only) ice pack. A similar body of water, Alaska's Cook Inlet, has experienced oil and gas operations without significant incident for over 40 years (1.3 billion barrels of oil and 1.7 Tcf of gas produced to date). Recent petroleum assessments indicate that North Aleutian Basin is more likely to contain commercial gas resources, thus minimizing the risk of oil spills and coastal damage. Nearly 20

years of industry experience have continually improved the safety of offshore operations in difficult environments (e.g. the North Sea). The reliability of new technologies (e.g. subsea well completions) has been proven in similar settings. If decisions are made to move forward with the lease sale, MMS will work with the State of Alaska and the local Borough governments to design appropriate mitigation for oil and gas operations.

CHANGES IN PLANNING AREA BOUNDARIES

15. Mr. Cruickshank, I notice that the Minerals Management Service changed the boundaries of the planning regions in the Gulf of Mexico and around the Mid-Atlantic. Could you tell me why that was necessary?

Answer: On January 3, 2006, MMS published a notice in the Federal Register of its development of offshore administrative lines from each adjoining coastal state, using the principle of equidistance often applied to international boundary disputes. These lines were developed in light of the increasing number and type of activities and uses of the OCS. Listed among the potential uses of these lines was to provide a basis for more accurate delineation of planning areas. In the Draft Proposed Program for 2007-2012 published February 2006, the Secretary announced that some of the planning area boundaries would be moved to correspond to the new lines. The final proposed program was approved on July 1, 2007, with some redrawn planning areas for the Gulf of Mexico and Atlantic. The use of planning areas is for the administrative convenience of MMS for planning purposes and does not effect any statutory rights or responsibilities.

16. Does where you draw these lines have any impact on how you do your analysis of the 5-year program, or how leasing proceeds?

Answer: There was little if any impact on the actual 5-year analysis as the analysis was regional, not based on administrative boundaries. However, the redrawn planning area boundaries do affect the timing of when certain blocks might be leased. For example, those blocks that had been in the Western Gulf Planning Area and are now in the Central Gulf would be offered for lease at different times, but generally still at least once a year. The blocks that were in the Eastern Gulf and are now in the Central Gulf would probably be offered more often as Central sales are generally held once a year and Eastern sales have been less frequent. While leasing is more planning area focused, determining whether a state could be impacted under Coastal Zone Management Act is based on that statute's requirements and not on where an administrative planning area boundary occurs. The revenue sharing under the Gulf of Mexico Energy Security Act is based on distance from the project so these administrative and planning area lines do not have an impact with respect to revenue sharing.

17. Why did the Governors of both Florida and Texas object to the change in the Gulf of Mexico?

Answer: Then-Governor Bush of Florida and Governor Perry of Texas objected to the reconfiguration of the planning area boundaries because the proposal would add acreage to the Central Gulf Planning Area and remove acreage from the Western and Eastern Gulf Planning Areas. The concern was that it wouldn't be an accurate reflection of the impacts of OCS development on the Gulf States and could have an adverse impact on Texas and Florida respectively. However, the creation and delineation of OCS planning areas are for the administrative expediency of the MMS. The environmental and economic impacts, positive or negative, are not affected by the location of administrative or planning area lines. If a state is "affected" under the OCS Lands Act or "impacted" under the Coastal Zone Management Act, the location of an administrative or planning area boundary is immaterial.

ADMINISTRATIVE AREA BOUNDARIES

18. Mr. Cruickshank, I understand that both New Jersey and Virginia were opposed to how the new state administrative boundaries were drawn. How does MMS respond to those objections?

Answer: MMS responded similarly to New Jersey and Virginia as to Texas and Florida, as noted in our response to Question 17. New Jersey was concerned that the movement of the planning area boundaries placed them in the North Atlantic Planning Area and not in the Mid-Atlantic as they had been and as would be any sale off Virginia. As discussed in Question 17 above, whether New Jersey is affected or impacted by any potential activity off the coast of Virginia is determined by applying the applicable statute, not the location of a boundary drawn for administrative convenience.

The Commonwealth of Virginia's concern was related more to the actual drawing of the lines that resulted in the "pinched off" shape of the area proposed for a potential sale in the 5-Year Program. The boundaries were drawn using equidistance, a widely accepted and longstanding methodological tool. The equidistance principle has been endorsed internationally in the Law of the Sea Convention and by the U.S. Supreme Court to equitably establish boundaries between nations and between states.

DEFINITION OF "LARGE SPILLS"

19. Mr. Cruickshank, there's a table (Table IV-17) in the final environmental impact statement about oil spill assumptions that gives different definitions for large spills. A large pipeline spill is defined as 4,600 barrels, a large platform spill is 1,500 barrels, and there are three different sizes for large tanker spills for the Gulf of Mexico, Pacific Ocean, and Atlantic Ocean. How could a spill that would be defined as "large" in one region not be "large" in another region? How do you come up with these numbers?

Answer: For research modeling purposes, MMS evaluates potential offshore oil-spill risks using the Oil Spill Risk Analysis (OSRA) model developed by DOI. MMS standards define spills larger than 1000 barrels as "large" for modeling potential oil spills from OCS oil and gas activities. While the definition of a "large" spill is the same everywhere, for purposes of modeling the impacts of spills in different areas or from different sources, MMS postulates hypothetical spills based on median spill sizes over the historical record. Relative to these median spill sizes, a "large" spill from a platform is a different size than one from a pipeline or a tanker. The spill size may vary by region. As an example - the tankers vary depending on whether they used the Trans Alaska Pipeline System (TAPS) fleet (which was done for Alaska crude coming to the Pacific coast), or the data set for tanker spills in U.S. waters of the Gulf of Mexico. We analyze representative sized spills so that we can have a complete perspective of the range of possible impacts that could potentially occur even if these events are very unlikely.

20. Is it correct to say that MMS assumes that as a result of the 5-year leasing program, there will be one spill of at least 4,600 barrels from a pipeline in the North Aleutian Basin?

Answer: No. The most likely number of large spills is zero. In addition, based on the MMS 2006 National Assessment of Undiscovered OCS Oil and Gas, we consider that the North Aleutian Basin is natural gas prone, rather than oil prone. Regardless, we still analyzed the effects of a hypothetical oil spill in the 5-Year EIS.

For modeling purposes, MMS assumed a hypothetical large spill occurs and analyzed the impacts of one such spill on environmental, social, and economic resources. A large spill is defined as greater than or equal to 1,000 barrels and a small spill is less than 1,000 barrels. For modeling purposes, we assume the large spill is either a result of a pipeline spill of 4,600 barrels or a platform spill of 1,500 barrels.

NORTH ALEUTIAN BASIN PROPOSED MITIGATION MEASURES

21. Mr. Cruickshank, one of our witnesses in the final panel, Mr. Juettner, the Administrator of the Aleutians East Borough, attached a list of mitigation measures that they say need to be enacted in order to win the borough's full support of the lease sale. These include comprehensive protections for fisheries and coastal habitat, requirements for local hiring and procurement, a zero tolerance for water pollution discharge, and many others. Have you seen these measures? If so, do you believe that these requirements can be met?

Answer: The MMS has been working closely with the Aleutians East Borough to address their concerns. The Aleutians East Borough provided proposed mitigation measures as part of its comments on the Draft EIS for the Outer Continental Shelf Oil and Gas Leasing Program: 2007-2012. We held a series of conference calls with the Borough and provided detailed written responses to their concerns. Much of that information was incorporated into the final EIS and we appreciate the Borough's assistance in improving the clarity and content of the EIS. However, some suggested measures are beyond the scope of MMS authority. For example, on-shore building standards are the responsibility of local or state governments.

MMS develops lease-specific mitigation during the NEPA process for particular lease sales, because at that stage the scope and geography of the proposed action are better defined. We will continue to work with the local communities, including the Aleutians East Borough, and the State of Alaska as we develop the lease-specific proposal and environmental review for any potential sale.

CHUKCHI SEA BUFFER ZONE

22. Mr. Cruickshank, are you familiar with a letter that was sent by the National Marine Fisheries Service to the Regional Director of the Minerals Management Service about the proposed Chukchi lease sale on January of this year?

Answer: We are familiar with this letter, dated January 30, 2007, from the Acting Administrator of the Alaska Region of the National Marine Fisheries Service (NMFS) to the Regional Director of the MMS Alaska Region. The letter provides comments on the draft EIS for the proposed Chukchi Sea Sale 193. NMFS was a cooperating agency on the EIS and MMS considered their comments during the development of the final EIS.

23. In this letter, they say they "remain very concerned about potential impacts to living marine resources and their habitats," and that the 1987 biological opinion used by the Minerals Management Service to justify a 25-mile buffer -as you have in the 5-year leasing program has been superseded. They say they "strongly endorse" a 50-mile buffer as a way to protect natural resources and subsistence hunters in the area. Have you taken this letter into account?

Answer: The letter provided comments on the draft EIS for proposed Chukchi Sea Sale 193. MMS evaluates alternatives in each sale EIS, such as the described "buffers". For Sale 193, we assessed two buffer zone options which vary in distance from shore from 25 to 60 miles.

MMS regularly consults with NMFS for each sale regarding endangered species. The 2006 Arctic Region Biological Opinion from NMFS recommends deferral from leasing of areas within the spring whale migration route through nearshore open waters (i.e., through the Polynya) but does not specify a distance from shore. The Polynya Deferral under the 2002-2007 5-Year Program (under which Sale 193 was originally scheduled) and the 25-mile buffer zone under the 2007-2012 Program do just that. We will continue to consult with NMFS on any future activities.

NMFS LETTER ON ALASKA REGIONS

24. Mr. Cruickshank, on April 11, 2006, the National Marine Fisheries Service submitted detailed comments about the Draft EIS on the 5-year plan, in which they recommended that the North Aleutian Basin and Chukchi sea sales be deleted and that a comprehensive research program be initiated so that the areas can be included in future sales. They say the proposed schedule is unrealistically ambitious." In the response, MMS simply said, "Thank you for your comment; however, we disagree." Is that an adequate response to the scientific opinion of the federal government's fishery experts?

Answer: MMS values the scientific expertise of NOAA and appreciated the thorough review they provided of the Draft EIS for the Proposed Outer Continental Shelf Oil and Gas Leasing Program. Their comments helped improve the final document.

The April 11, 2006 comments from NOAA-Fisheries were on the 2007-2012 Draft Proposed Outer Continental Shelf Oil and Gas Leasing Program. NOAA-Fisheries also provided two sets of comments on the Draft EIS on November 13, and November 22, 2006. We apologize if our response in the specific heading cited in the Final EIS, Section V.D, Issue 1d, "Not Enough Information to Do Adequate Analysis", comes across as terse. However, these comments had been discussed in earlier responses and similar concerns were answered in more detail in other parts of the document. Also included in the response was a statement: "Also discussed elsewhere, this EIS addresses information and analysis needs for program planning." We addressed these concerns under a number of headings including: "Additional Studies", "Marine Mammals", "Seafloor Habitats", "Impacts on Fisheries", "Seafloor Habitats", and "Oceanography".

For example, under "Additional Studies":

• Concern: The Alaska Center for the Environment; AMCC; Alaska Oil and Gas Association; Commonwealth of Virginia, Department of Environmental Quality; and others raised concerns about the need for baseline studies before leasing in frontier areas such as the North Aleutian Basin, the Chukchi Sea and the Atlantic Coast. The Bristol Bay Native Corporation requested "that MMS, in concert with industry and the local communities, initiate and fund a series of studies of the Southwest Region of Alaska. We want these studies to evaluate both the positive and negative effects of exploration and production activities. These studies will furnish information essential in crafting mitigation measures that provide adequate protection with-

out overly restricting necessary industry operations." Suggestions for studies included a basic understanding of the Alaskan environment; fisheries resources; unique biological communities; and marine mammals, sea turtles, and marine/coastal birds within the Virginia planning zone.

Response: The MMS has an active Environmental Studies Program to address the information needs of the Agency. For frontier areas, existing knowledge about the areas will first be collected through workshops and literature searches. The MMS has already conducted two workshops, one to collect information about the Chukchi Sea in early November 2006 and the other to collect information about the North Aleutian Basin in late November 2006. These workshops will be used to identify data gaps and prioritize the studies for funding consideration.

MMS agrees that research must be conducted for areas proposed for sale, but, due to the need to focus its resources on the agency's highest program priorities, it generally does not conduct such research in areas that are not included in the 5-Year Program. MMS supports a substantial studies program to accommodate the lease sales scheduled for 2008, 2010 and 2012 for the Chukchi Sea and the 2011 lease sale scheduled for the North Aleutians Basin. Considering the need for an orderly and environmentally safe process to help meet our Nation's energy needs, it is a challenging, but not an overly ambitious schedule. Alaskan studies are already in progress. A table of these ongoing studies can be viewed at http://www.mms.gov/alaska/ess.

BRISTOL BAY INTERIOR REPORT LANGUAGE

25. Mr. Cruickshank, are you familiar with the language regarding Bristol Bay in the Interior Appropriations bill report? Could you share your thoughts on that with the committee?

Answer: We are familiar with this language and believe we are addressing the concerns. With the request to include a sale in the North Aleutian Basin from the State of Alaska and local governments, MMS plans to conduct additional environmental studies in this area to supplement existing information available from other agencies and sources. In November 2006, MMS held a workshop to assess the available information in the area and to identify additional research that may be needed. A total of 111 scientists and representatives from other federal and state agencies, universities, local and tribal governments, and the public attended.

As a result, in 2007, MMS and the NMFS began collaboration on a high-priority, multi-million dollar study of the North Pacific right whale. Another study is under procurement to develop oceanographic circulation modeling. MMS plans to begin other studies in FY 2008. We will continue to seek and consider the advice from experts and stakeholders, such as NMFS, the Fish and Wildlife Service, State of Alaska agencies, local governments, and federally recognized tribes as we implement future research.

26. In addition to the studies that you mention in your testimony, is there anything else that you will do in response to the report language?

Answer: The MMS has in place a process that has many opportunities for cooperation and input to ensure that we can consider all issues that may affect leasing. Early in our process, we issue a Notice of Intent to prepare an EIS. This step solicits input on the issues, alternatives, and mitigation measures to be evaluated in the EIS. The Notice of Intent also invites Federal, State, local governments, and Tribes to become cooperating agencies in the preparation of the EIS.

The State, federally recognized tribes, and local communities will be invited to participate in the various public meetings, Government-to-Government meetings, and hearings that are part of the NEPA process. Through the MMS Environmental Studies Program, they also have opportunity to review studies plans and reports and provide local input into the development and review of the scientific information gathered.

We also have a number of other parallel coordination and consultation processes that will be underway. Concurrent with the NEPA and lease sale processes, MMS will complete required Endangered Species Act section 7 consultations, Essential Fish Habitat consultation, Section 106 consultation under National Historic Preservation Act, and coastal zone consistency determination.

Thus, as it has for other OCS lease sales, MMS will conduct very thorough coordination with other Federal agencies, state, and local governments to ensure the appropriate protection of the North Aleutian Basin region.

SPILLS AS A RESULT OF 2005 HURRICANES

27. Mr. Cruickshank, in his opening statement, Ranking Member Pearce stated that "not a single drop" of oil was spilled as a result of Hurricanes Katrina and Rita. Is that correct? If not, could you provide a detail of exactly what was spilled as a result of those two hurricanes?

Answer: As of January 25, 2007, oil spill reports from Hurricanes Katrina and Rita in 2005, show that there were no spills due to loss of control of oil producing wells, due to the successful operation of the safety valves that are required to be installed on every well at least 100 feet below the ocean floor. MMS has identified 125 spills of petroleum products totaling 16,302 barrels that were lost from platforms, rigs, and pipelines on the Federal OCS as a result of damages from Hurricanes Katrina and Rita in 2005. This is a relatively small amount compared to the daily OCS production in the Gulf of Mexico, and is equivalent to less than 2 weeks of natural oil seeps into the Gulf. The number of spills is based on reports received by the National Response Center as well as observations in the field by MMS inspectors.

The estimation of oil lost is based on volume estimates of static oil volumes of damaged surface processing equipment (such as vessels, tanks, and associated piping) and damaged oil pipelines. This estimate represents an upper bound case. For example, if a 100 gallon capacity fuel tank was lost overboard from a platform, the tank was presumed to be full at the time it was lost in the storm. The tank may not have been full or leaked any product into the environment, but until the actual amount of product the tank contained can be verified, or the tank recovered, the 100 gallons is considered "spilled". It should be noted that no incidents of environmental damage were reported from spills that occurred on the OCS. It should be also noted that spills that originated on the OCS were in most cases rapidly dissipated by the storm wave action and evaporation. Additionally, industry moved quickly to alleviate any residual oil releases from the damaged equipment and pipelines. In other cases where small volumes of oil continued to be released from submerged process equipment, means of capturing and recovering oil were put into place until the equipment could be appropriately salvaged. Additional information is carried on the MMS website at http://www.mms.gov/SettingtheRecordStraight/EstimatedOil%20SpillsAsaResultofHurricanesKatrinaandRita.htm.

Questions submitted by Congressman Patrick J. Kennedy

1. Mr. Cruickshank, there is a table (Table IV-17) in the final environmental impact statement about oil spill assumptions that gives different definitions for large spills. A large pipeline spill is defined as 4,600 barrels, a large platform spill is 1,500 barrels, and there are three different sizes for large tanker spills for the Gulf of Mexico, Pacific Ocean, and Atlantic Ocean. Could you clarify this?

Answer: For research modeling purposes, MMS evaluates potential offshore oil-spill risks using the Oil Spill Risk Analysis (OSRA) model developed by DOI. MMS standards define spills larger than 1000 barrels as "large" for modeling potential oil spills from OCS oil and gas activities. While the definition of a "large" spill is the same everywhere, for purposes of modeling the impacts of spills in different areas or from different sources, MMS postulates hypothetical spills based on median spill sizes over the historical record. Relative to these median spill sizes, a "large" spill from a platform is a different size than one from a pipeline or a tanker. The spill size may vary by region. As an example - the tankers vary depending on whether they used the TAPS fleet (which was done for Alaska crude coming to the Pacific coast), or the data set for tanker spills in U.S. waters of the Gulf of Mexico. We analyze representative sized spills so that we can have a complete perspective of the range of possible impacts that could potentially occur even if these events are very unlikely.

2. How do you respond to the fact that MMS predicts in the Final Environmental Impact Statement for the 5-Year Program, that leasing in the North Aleutian Basin Planning Area will lead to at least one large oil spill, two intermediate sized spills, and numerous smaller spills?

Answer: The MMS does not predict that leasing in the North Aleutian Basin Planning Area will lead to one large (greater than or equal to 1,000 barrels) oil spill or the smaller (less than 1,000 barrels) oil spills. The most likely number of large spills is zero. In addition, based on the MMS 2006 National Assessment of Undiscovered OCS Oil and Gas, we consider that the North Aleutian Basin is natural gas prone, rather than oil prone. Regardless, we still analyzed the effects of a hypothetical oil spill in the 5-Year EIS.

For modeling purposes, MMS postulated a hypothetical spill of what is considered a "large" size to be either 1,500 or 4,600 barrels, based on median spill sizes respectively from platforms and pipelines over a long historical record. MMS then analyzed the impacts of one such hypothetical spill on environmental, social, and economic resources. We provided the analyses of large and small spills so that we can have a complete perspective of the range of possible impacts that could potentially occur, even if these events are unlikely.

[The response to questions submitted for the record by Mr. Sheard follows:]

Response to questions submitted for the record by Whit Sheard, Alaska Program Director, Pacific Environment

Question from Rep. Patrick Kennedy:

How does the 5-year plan interact with the recent recommendations of the U.S. Commission on Ocean Policy?

Response: The U.S. Commission on Ocean Policy, along with the companion Pew Oceans Commission, raised significant concerns surrounding U.S. policy as it relates to impacts to and governance of our nation's marine environment. Both commissions recognized the need for substantial reform of ocean policy and made recommendations germane to the 5 Year Plan for Oil and Gas Leasing on the Outer Continental Shelf Development for 2007-2012. Unfortunately it appears that the Minerals Management Service has not heeded the call for integrated ocean management and instead is continuing to press forward with a socially and ecologically irresponsible plan that perpetuates the inadequaciesof U.S. oceans policy. I will specifically address the Commission's recommendations as they relate to the 5 Year Plan's commitment of our nation's Arctic resources, including the Chukchi Sea, the Beaufort Sea, and Bristol Bay (North Aleutian Basin).

The U.S. Commission on Ocean Policy delineated a comprehensive set of Guiding Principles which it recommended be applied to guide national policy. These Guiding Principles are:

- **Sustainability:** Ocean policy should be designed to meet the needs of the present generation without compromising the ability of future generations to meet their needs.
- **Stewardship:** The principle of stewardship applies both to the government and to every citizen. The U.S. government holds ocean and coastal resources in the public trust—a special responsibility that necessitates balancing different uses of those resources for the continued benefit of all Americans. Just as important, every member of the public should recognize the value of the oceans and coasts, supporting appropriate policies and acting responsibly while minimizing negative environmental impacts.
- **Ocean—Land—Atmosphere Connections:** Ocean policies should be based on the recognition that the oceans, land, and atmosphere are inextricably intertwined and that actions that affect one Earth system component are likely to affect another.
- **Ecosystem-based Management:** U.S. ocean and coastal resources should be managed to reflect the relationships among all ecosystem components, including humans and nonhuman species and the environments in which they live. Applying this principle will require defining relevant geographic management areas based on ecosystem, rather than political, boundaries.
- **Multiple Use Management:** The many potentially beneficial uses of ocean and coastal resources should be acknowledged and managed in a way that balances competing uses while preserving and protecting the overall integrity of the ocean and coastal environments.
- **Preservation of Marine Biodiversity:** Downward trends in marine biodiversity should be reversed where they exist, with a desired end of maintaining or recovering natural levels of biological diversity and ecosystem services.
- **Best Available Science and Information:** Ocean policy decisions should be based on the best available understanding of the natural, social, and economic processes that affect ocean and coastal environments. Decision makers should be able to obtain and understand quality science and information in a way that facilitates successful management of ocean and coastal resources.
- **Adaptive Management:** Ocean management programs should be designed to meet clear goals and provide new information to continually improve the scientific basis for future management. Periodic reevaluation of the goals and effectiveness of management measures, and incorporation of new information in implementing future management, are essential.

- **Understandable Laws and Clear Decisions:** Laws governing uses of ocean and coastal resources should be clear, coordinated, and accessible to the nation's citizens to facilitate compliance. Policy decisions and the reasoning behind them should also be clear and available to all interested parties.
- **Participatory Governance:** Governance of ocean uses should ensure widespread participation by all citizens on issues that affect them.
- **Timeliness:** Ocean governance systems should operate with as much efficiency and predictability as possible.
- **Accountability:** Decision makers and members of the public should be accountable for the actions they take that affect ocean and coastal resources.
- **International Responsibility:** The United States should act cooperatively with other nations in developing and implementing international ocean policy, reflecting the deep connections between U.S. interests and the global ocean.

(United States Commission on Ocean Policy (2004). An Ocean Blueprint for the 21st Century. Executive Summary, pg. 6)

The 5 Year Plan for Oil and Gas Leasing on the Outer Continental Shelf for 2007-2012 facially violates all of these principles and renders the concept of achieving a sustainable ecosystem-based management regime in the Arctic meaningless. As the proposed development will occur in extremely sensitive areas where spills are virtually guaranteed and there is inadequate spill response technology, the U.S. is committing enormous areas of our Arctic seas to becoming an oil and gas sacrifice zone. Due to this egregious commitment of our Arctic resources in the face of reasonable recommendations from several Blue Ribbon commissions, I will address the 5 Year Plan as it relates to each Guiding Principle.

(1) **Sustainability:** The 5 Year Plan commits us to a short-sighted policy of increasing our dependency on hydrocarbon extraction and the concomitant environmental impacts of direct introduction of pollution into the marine environment and an increase in the anthropogenic causes of climate change. The 5 Year Plan as a policy does nothing to help future generations meet their needs. By disrupting our marine environment, exacerbating climate change, and impacting renewable resources such as the nation's largest fishery and the whaling communities of the Arctic, the 5 Year Plan commits the nation to unsustainable use of our resources.

(2) **Stewardship:** As discussed above and in previous testimony, the 5 Year Plan violates the federal trust responsibility and places responsibility for aggressive and unsustainable development of sensitive public resources in the hands of multinational oil corporations with recent histories of royalty scandals, worker safety violations, and inadequate maintenance of facilities and pipelines. For many, this 5 Year Plan represents the culmination of the secret Cheney Energy Task Force, and commits the nation to five more years of violating the public trust.

(3) **Ocean-Land-Atmosphere Connection:** This principle is extremely illustrative of how the 5 Year Plan ignores the U.S. Commission on Ocean Policy. Quite simply put: the 5 Year Plan represent one of the nation's largest commitments to both directly impacting our sensitive Arctic environment and increasing our greenhouse gas emissions. This is problematic as the Arctic is disproportionately sensitive to climate change and the ongoing reduction in sea ice acts as a feedback mechanism to increase climate change because darker areas of open ocean, which are expanding, absorb sunlight and thus increase temperatures (as opposed to sea ice, which reflects sunlight and has a cooling effect). Increasing climate change also leads to increasing impacts on the land, including coastal erosion, which is affecting traditional communities of the Arctic, and impacts to terrestrial wildlife species. Another example of the ocean-land-atmosphere connection is polar bears, which are currently being considered for protection under the Endangered Species Act due to the loss of essential sea ice habitat. These species are experiencing nutritional and reproductive stress, are moving from the ocean to land as their sea ice habitat and prey decrease, and are facing the cumulative impacts of terrestrial oil and gas development expansion into their habitat.

(4) **Ecosystem-Based Management:** This principle is another that best illustrates the aggressive and short-sighted nature of the 5 Year Plan. While there is global recognition of the need for rational planning and zoning as it relates to both the terrestrial and marine environment, the federal government has taken no steps whatsoever to look at the Arctic seas in an integrated manner. The 5 Year Plan, simply put, is a "cart before the horse" approach which predetermines the outcome of any future zoning process. The 5 Year Plan zones virtually the entire Arctic Ocean as an oil and gas development area and ignores the wealth of scientific literature on habitat protec-

tion, the impacts of oil and gas development, and the traditional knowledge of Arctic whaling communities. It also places areas such as Bristol Bay, one of the world's most productive fisheries, at direct risk from what is clearly an incompatible use of our marine resources. Illustrating the urgent need to address ocean zoning and ecosystem-based management is that there are currently projects planned for next year in the Beaufort Sea's Stefansson Boulder Patch, an oasis of corals, anemones, sponges, kelp and fish species which are not known to exist anywhere else in the Beaufort Sea. Perpetuating this singularly focused management regime will irreparably harm our Arctic seas and preclude meaningful attempts to best define relevant geographic management areas—especially those that have unique ecological values.

(5) **Multiple Use Management:** As discussed above, the 5 Year Plan singularly focuses on producing oil and gas from areas where considerations of commercial fisheries, traditional subsistence economies, and ecological protection should be paramount. The 5 Year Plan unacceptably infringes on competing uses such as critical habitat for the world's most endangered whales (the eastern stock of the North Pacific right whale), the nation's largest fisheries, and subsistence areas used for millennia. Clearly the Minerals Management Service fails to even consider that oil and gas development is sometimes unwarranted and must yield to competing uses such as renewable economies, habitat needs for imperiled species, and cultural traditions that are unacceptably put at risk by oil spills, exploration, infrastructure development, and ongoing operations.

(6) **Preservation of Marine Biodiversity:** The 5 Year Plan will cause oil spills in areas in which there is a demonstrated lack of technological capacity to prevent impacts. These areas include the Bering Sea (Bristol Bay/North Aleutian Basin), which is likely the world's most productive marine ecosystem. It also includes the Chukchi Sea, considered by many to be the world's most productive high latitude sea. The 5 Year Plan does nothing to preserve marine biodiversity and instead subverts protection of these unique and productive areas to the short-term and ecologically irresponsible extraction of fossil fuels.

(7) **Best Available Science and Information:** Our knowledge of the Arctic marine ecosystems being placed at risk by the 5 Year Plan is extremely thin. What is known by scientists and Native communities who have studied the region for millennia, however, is that it is an incredibly complex ecosystem providing a rich tapestry of habitats for endangered marine mammals, commercially important fish species, and millions of seabirds. The dearth of scientific information has been repeatedly noted by the National Marine Fisheries Service (NMFS), who ultimately recommended deletion of the Bristol Bay (North Aleutian Basin) and Chukchi Sea sales. In comments on the 5 Year Plan, NMFS stated:

The NMFS Alaska Region believes the proposed leasing schedule is unrealistically ambitious and would not allow for necessary environmental research...This is particularly true for the North Aleutian Basin (Bristol Bay) and Chukchi Sea proposed sales. The NMFS Alaska Region recommends deletion of these areas and initiation of a comprehensive research program to support future plans subsequent to the 2007-2012 plan...For instance, MMS states repeatedly that little is known about the distribution, abundance, behavior, and habitat use of marine mammals in the Chukchi Sea, and the few existing studies are very dated. It is extremely important to gain a better understanding of these issues prior to any exploration, leasing, or development. The need for baseline data on the distribution of marine mammals in the Chukchi Sea is particularly urgent.

(National Marine Fisheries Service Comments on Department of the Interior's Minerals Management Service's Draft Proposed Outer Continental Shelf Oil and Gas Leasing Program 2007-2012, dated April 10, 2006.)

(8) **Adaptive Management:** Due to the above referenced deficiencies in scientific information and the unilateral zoning of our Arctic seas for oil and gas drilling, it is unclear if adaptive management is even possible under the 5 Year Plan.

(9) **Understandable Laws and Clear Decisions:** There continues to be a lack of coordinated and integrated ocean management. Furthermore, management measures seem to be based upon energy priorities that are developed behind closed doors and that are unresponsive to legitimate comments from the public and other federal agencies.

(10) **Participatory Governance:** Despite widespread opposition from native communities who stand to be most impacted by drilling in the Arctic seas, the Minerals Management Service is unwilling to consider scaling back the aggressive scope of the 5 Year Plan. Development of energy policies in concert with the energy industry behind closed doors further subvert any claims by MMS of legitimate public process. Although MMS should be applauded for having public meetings in remote communities most impacted by this program, there were no changes made to the plan that responded to overwhelming community concerns. Furthermore, meetings in other affected communities, such as Dutch Harbor, Alaska, the nation's busiest commercial fishing port, did not receive Federal Register notice of scheduled meetings until after the meetings had occurred. These concerns were magnified by recent rollbacks to Alaska's Coastal Zone Management Plan, which eliminated significant opportunities for affected communities to participate in reviewing the efficacy of proposed development.

(11) **Timeliness:** Although MMS has been rushing to ensure that the oil industry receives all necessary permits as quickly as possible, this has not led to increased efficiency. In fact, quite the opposite has occurred, with affected communities repeatedly requesting that MMS undertake a process that ensures responsible management and public participation. A common refrain in affected communities is that MMS is pushing "too much, too soon, too fast." The U.S. Environmental Protection Agency has noted this in their comments and has suggested that there are serious environmental justice concerns related to the 5 Year Plan. The result has been that communities and non-governmental organizations are forced to initiate litigation in order to ensure that legitimate economic, cultural, and ecological interests are not ignored.

(12) **Accountability:** Decision-makers seem to be heavily insulated from accountability for their actions. This is especially true as it relates to remote communities who pay the price for irresponsible management decisions.

(13) **International Responsibility:** It is unclear if MMS is willing to undertake any concerted effort to be a responsible international actor. While other countries, such as Norway, are developing their oil and gas resources in a manner that attempts to incorporate ecosystem-based management, multiple use concerns, and socially responsible programs, the U.S. is continuing to ignore our disproportionate contribution to climate change and is adopting programs such as the 5 Year Plan that do not promote sensible management and environmental responsibility. The U.S. is also encouraging international corporations such as Shell Oil, who have a history of environmental and social infractions in regions such as Russia's Sakhalin Island, into our waters. The U.S. has chosen instead to be a poor international role model by adopting a 5 Year Plan that increases climate change, disproportionately impacts indigenous communities, reward corporations with a history of poor environmental stewardship, and encourages risky development in ecologically sensitive regions already facing profound impacts from climate change.

In sum, the 5 Year Plan for Oil and Gas Development on the Outer Continental Shelf, does very little to respond the well-researched and sensible guidance of the U.S. Commission on Ocean Policy, which recommended

> *development of a coordinated offshore management regime that would be comprehensive, transparent, and predictable, bring a fair return to the public, and promote a balance between economic and environmental considerations.*

(United States Commission on Ocean Policy (2004). An Ocean Blueprint for the 21st Century. Chapter 24, Managing Offshore Energy and Other Mineral Resources, pg. 352.)

Instead of heeding this guidance, MMS has promulgated an overly aggressive expansion of oil and gas drilling in U.S. waters. MMS has repeatedly failed to fully inform the public of the extent of ecological damage that this plan will cause to our public resources. The agency has set the nation on a five year course to perpetuate climate change, adversely modify critical habitat for endangered and threatened species, damage renewable commercial and subsistence economies, and cause disproportionate impacts to Alaska Native communities. MMS has suppressed important science, has drawn conclusions that bear little relationship to the facts, has ignored the sound advice of other federal agencies, and has not offered an adequate public process for either this plan or the multitude of current activities already taking place in federal waters. Considering that the nation is currently defining policies to address climate change, energy efficiency, and oceans management, the proposed plan bears little relation to rational planning and places important public resources at an unacceptable level of risk.

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