

Submitted by
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to the
Committee on Natural Resources
Energy and Mineral Resources Subcommittee
U.S. House of Representatives

9:30am
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Washington, DC

Thank you for the invitation to join you this morning, Chairman Lamborn. It is an honor to join you and members of the subcommittee for what the Operating Engineers believe is a critical conversation regarding the development of the natural gas industry in the United States, with particular focus on the regulatory framework for pipelines.

My name is Jeffrey Soth. I am the Legislative and Political Director of the International Union of Operating Engineers (IUOE). The International Union of Operating Engineers represents almost 400,000 men and women in the United States and Canada. Operating Engineers are one of the key occupations directly employed in the construction and maintenance of this nation's energy infrastructure, including natural gas infrastructure.

Every day across the United States thousands of IUOE members are building the nation's natural gas pipelines, power plants, and natural gas well pads. Operating Engineers are also seeking other employment opportunities in the natural gas supply chain. For example, thousands of IUOE members in the Upper Mississippi Basin excavate the silica sand that is essential to the hydraulic fracturing process. In the coming years, members of the IUOE also expect to build liquefied natural gas export facilities along the United States and Canadian coasts.

Most of the Operating Engineers engaged in the construction industry run bulldozers, backhoes, cranes, and excavators – the traditional heavy equipment operated by members of the union. To perform this work at the highest levels, members of the Operating Engineers union receive extensive craft training through on-the-job apprenticeship. Local unions of the IUOE, in partnership with their contractor-employers, invest over \$107-million annually in construction training. But the work opportunities around the natural gas industry also require specialization within the Operating Engineer craft.

What I would like to focus on this morning is the role that members of the IUOE play in the pipeline industry. The IUOE is one of four unions signatory to the National Pipeline Agreement. In 2013, Operating Engineers performed nearly 14-million hours of work on all manner of pipeline projects, from gathering lines to mainline transmission projects. The pipeline industry is a key sector to members of the Operating Engineers. It is at the heart of IUOE members' opportunities for work.

The pipeline industry has a unique set of skill requirements and Operating Engineers are perfectly suited to what the industry demands -- the safest, most productive workforce available. That is why IUOE members develop their skills through a robust national training program in partnership with the Pipe Line Contractors Association to meet that specific part of the industry's needs.

After that summary of who we are and how we fit into the sector, let me turn to the broader industry dynamics. The development of American natural gas resources has presented the country an amazing opportunity; it has also created a number of policy and regulatory challenges for decision-makers.

In order to keep pace, in order to capitalize on the opportunity presented by this abundant American natural resource, the Operating Engineers strongly believe that Congress must ensure that there is an updated, streamlined permitting and regulatory framework, ensuring that the domestic oil and gas industry flourishes in a safe, predictable way.

First, I wanted to share with you some numbers that help describe what has occurred in the pipeline industry as a result of the increase in domestic oil and gas production. In the first chart attached to my testimony, you can see employment in the oil and gas industry group within the construction industry. It shows dramatic growth since the start of the Great Recession in December 2007. Since that time, the industry has grown over 26%. According to the most recent data available from the Bureau of Labor Statistics, employment in the oil and gas industry hit an all-time high. That is especially noteworthy and important because of what has occurred in the broader construction sector during the same period. You can see that construction has lost over 1.5-million jobs over the same timeframe. Although a small part of the overall industry, the burgeoning natural gas industry has helped the broader construction sector counter some of the worst employment losses seen since the Great Depression.

Family-sustaining jobs in the oil and gas pipeline construction industry group are created at higher than average wages. Wage estimates for production and nonsupervisory workers in the oil and gas pipeline industry are over \$26 an hour, according to the most recent data from the Bureau of Labor Statistics. That compares to \$19.75 an hour for production workers in all of the private sector.

Please allow me to turn more directly to the legislation before the subcommittee. The Operating Engineers believe that Congress must work to forge bipartisan agreements around common-sense changes to oil and gas permitting processes. The bottom line is that an anachronistic regulatory structure inhibits the development of the industry and the jobs that go along with it.

The Interstate Natural Gas Association of America (INGAA) estimated in 2009 that North America may need more than 61,000 miles of additional natural gas pipelines through 2030. INGAA estimates that investments in midstream natural gas pipelines could reach around \$10 billion annually for the next twenty years. An IHS Global study finds that \$8 billion a year could be invested in just gathering pipelines, not including distribution and transmission, for both the oil and gas industry.

I also wanted to mention to the subcommittee that the IUOE is part of a newly-formed industry group, the Energy Equipment and Infrastructure Alliance (EEIA), the voice of the shale energy supply chain. The EEIA pulls together a number of key industry players beyond oil and natural gas companies themselves. It includes contractors, materials and equipment suppliers, and essential unions in the industry. EEIA has commissioned a new economic study that should provide keen new insights into the future of the industry, including a new, updated analysis of jobs, labor income, and dollar outputs by the sector. We look forward to sharing the study with the committee when it is formally released in July.

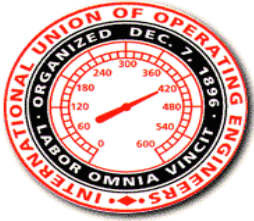
It is essential that the American energy policy support the development of this domestic resource by keeping pace with the dramatic innovations that are occurring in the sector. In a number of cases, the growth in the industry has simply outpaced the nation's regulatory framework. That is how the Operating Engineers view the two pieces of legislation under consideration by the subcommittee.

Representative Cramer's legislation, H.R. 4293, the Natural Gas Gathering Enhancement Act, reflects a straightforward modernization of the environmental permitting of gathering lines when there is clearly no significant environmental impact. The process of developing an Environmental Assessment and consistently issuing a Finding of No Significant Impact (FONSI) adds no environmental or economic value to the permitting process. It merely adds procedural impediments and associated cost for both developers and regulators without associated improvements in environmental quality. The time, energy, and money of regulatory authorities should be spent elsewhere in the permitting process. It is also my understanding that an agency could still conduct an Environmental Assessment and take a gathering line on federal or tribal land through the process of determining whether, in fact, there is a significant environmental impact. Representative Cramer's legislation is a common-sense step to modernize the nation's permit processes for natural gas pipelines.

Similarly, Congressman Marino's bill, the Energy Infrastructure Improvement Act, merely clarifies the authority of the Secretary of Interior and Secretary of Agriculture to issue easements and permits to construct pipelines on eligible federal lands. The Operating Engineers are pleased to see this technical correction made to the law so that we may continue to responsibly develop this important American energy resource, and with it the jobs of Operating Engineers and other workers who depend on it for their livelihoods.

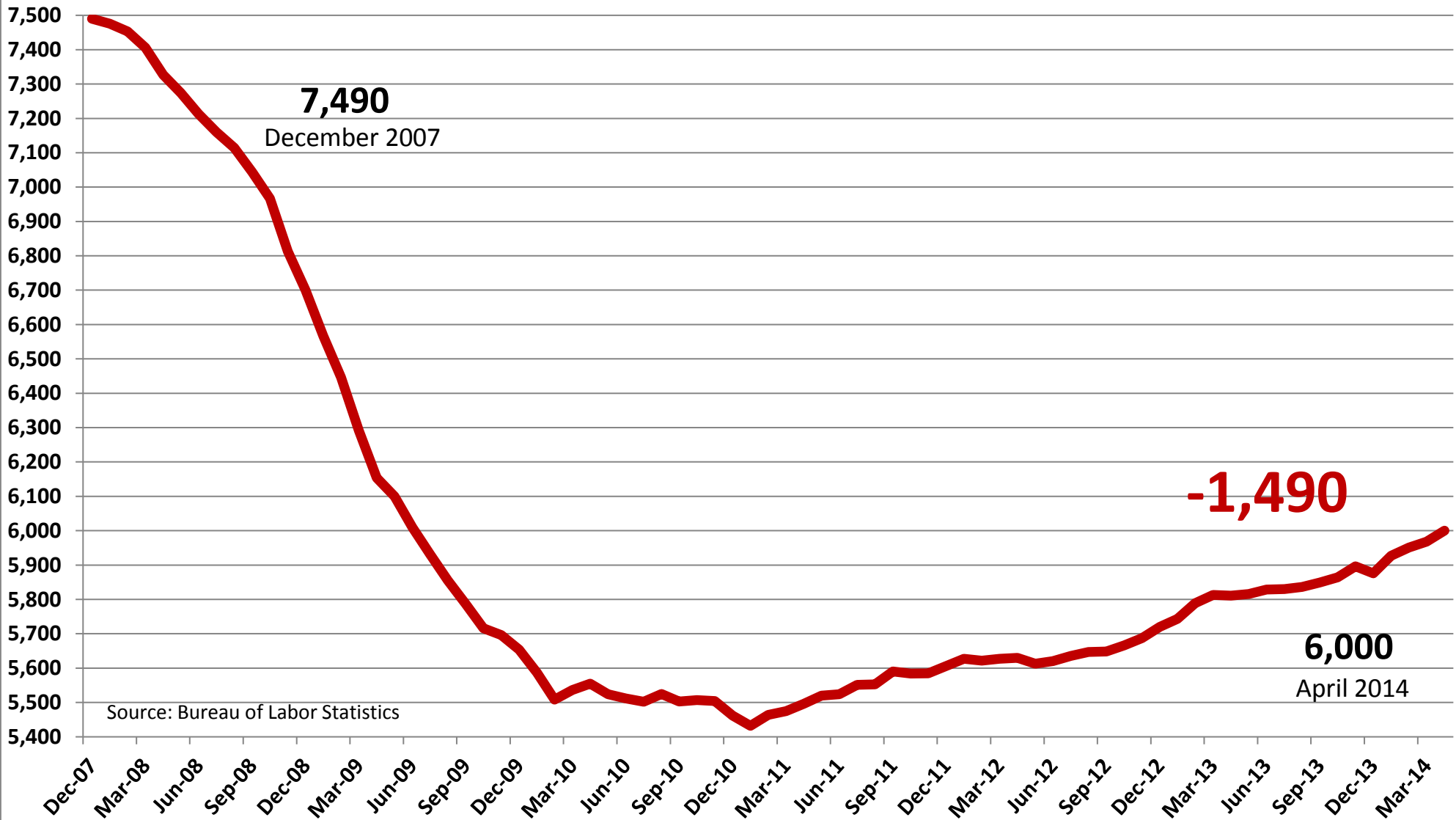
The United States should continue updating and modernizing its regulatory approach to meet the needs of the growing domestic energy industry. We believe the legislation before you will do just that and we appreciate the committee's leadership to advance these two bills.

Thank you for the opportunity to testify this morning, Chairman Lamborn.



Construction Employment

(Employment in Thousands - Seasonally Adjusted)





Oil & Gas Employment

(Employment in Thousands - Seasonally Adjusted)

