SAFEGUARDING AMERICAN JOBS AND ECONOMIC GROWTH: EXAMINING THE FUTURE OF THE OFFSHORE LEASING PROGRAM

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

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OVERSIGHT HEARING ON SAFEGUARDING AMERICAN JOBS AND ECONOMIC GROWTH: EXAMINING THE FUTURE OF THE OFFSHORE LEASING PROGRAM

Thursday, July 27, 2023
U.S. House of Representatives
Subcommittee on Energy and Mineral Resources
Committee on Natural Resources
Washington, DC

The Subcommittee met, pursuant to notice, at 10 a.m. in Room 1324, Longworth House Office Building, Hon. Pete Stauber [Chairman of the Subcommittee] presiding.

Present: Representatives Stauber, Lamborn, Tiffany, Rosendale, Boebert, Hunt, Westerman; Ocasio-Cortez, Mullin, Kamlager-Dove, and Magaziner.

Also present: Representative Carl.

Mr. STAUBER. The Subcommittee on Energy and Mineral Resources will come to order.

Without objection, the Chair is authorized to declare a recess of the Subcommittee at any time.

Under Committee Rule 4(f), any oral opening statements at hearings are limited to the Chairman and the Ranking Minority Member.

I now recognize myself for an opening statement.

STATEMENT OF THE HON. PETE STAUBER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. STAUBER. Today, the Subcommittee on Energy and Mineral Resources will host an oversight hearing to examine the future of the offshore oil and gas leasing program. I would like to begin by thanking our witnesses for being here to discuss the future of the offshore oil and gas leasing program.

Representing the Iron Range of Northeast Minnesota, I feel strongly that we must safeguard American jobs and economic growth through responsible development of our natural resources, whether it be the taconite and critical minerals in the district I represent or oil and gas on the Outer Continental Shelf.

The actions taken by the Biden administration with regard to the offshore leasing program have hindered responsible development and made us more dependent on OPEC and adversarial nations for the energy resources our nation requires. The Biden administration has not allowed more than a year to pass without finalizing an offshore 5-year leasing program, and has refused to begin the planning process for lease sales in 2024.

By ignoring Federal law for the first time in history, this Administration has threatened economic prosperity and energy security. Such actions have forced businesses to invest elsewhere, and led to increased oil prices and risks for producers which adversely affect American consumers.

The Biden administration is taking unprecedented inaction, as we will discuss today. If the Department of the Interior does not take the necessary steps now to begin the NEPA process and begin to initiate an offshore oil and gas lease sale in 2024, the United States will fail to hold an offshore lease sale involving the Gulf of Mexico for the first time in over 60 years. This will have incredible implications for our nation for years to come.

While the global oil market thrives, it is disheartening to witness the absence of investment opportunities here in the United States. Investments seem to flow to distant shores, benefiting countries like Guyana, Brazil, Venezuela, Russia, and OPEC nations, while our own rich reserves are neglected along with our workers.

I am not from a coastal state. However, I understand the importance of certainty in the offshore oil and gas industry. Inland states and their citizens have played crucial roles in shaping America's energy landscape, and they continue to contribute to and benefit from offshore oil and gas development. Inland America innovation and leadership have long contributed to developments on the Outer Continental Shelf.

One remarkable example is Robert S. Kerr of Oklahoma, who recognized the significance of offshore drilling for our nation's energy needs, and pioneered the first offshore drilling platform known as The Jacket in the early 1940s.

Under the Gulf of Mexico Energy Security Act, GOMESA, offshore oil and gas development has generated significant revenues to Gulf producing states: $353 million in Fiscal Year 2022 and $1.65 billion throughout the life of the program.

Offshore revenues also benefit communities across the nation through the Land and Water Conservation Fund, which received more than $125 million in Fiscal Year 2022.

And just last Friday, the Department of the Interior announced nearly $5 million in distributions to my home state of Minnesota from the Land and Water Conservation Fund. These funds will support important recreation and conservation projects throughout Minnesota, thanks in large part to our offshore oil and gas production. If the Biden administration continues to block offshore leasing, these funds will begin to dry up.

According to the National Ocean Industries Association, there are approximately 345,000 workers in the offshore industry supply chain, and salaries for those who work in the oil and gas sector average over $51 per hour per the Bureau of Labor Statistics, May 2023 data.

Meanwhile, during this same time period, average private-sector income across the United States was less than two-thirds of that, only $33 per hour. These are good-paying jobs that are supporting families and enabling the American Dream. But the Biden administration would rather forego these good-paying jobs and ship them to our adversarial nations overseas. And yet again, the Biden administration's motto is anywhere but America, any worker but American.

In light of the challenges posed by the Biden administration, it is imperative to underscore the significance of offshore investments and their potential impact on our society, national security, and future economic growth. Without offshore leasing, our coastal communities are vulnerable to job loss, increased costs at home and at the pump, and the impact of hurricanes for which oil and gas revenues play a vital role in preparation and mitigation efforts.

Instead of pursuing unrealistic goals for the energy sector, we must prioritize American competition to foster energy dominance and independence by continuing the offshore leasing program. We can work together to ensure a prosperous future for our nation, one that prioritizes American jobs, economic growth, and energy security. Our country's God-given resources are waiting to be responsibly tapped into to benefit all of our communities, and it is our duty to seize this opportunity for the betterment of the American people, energy independence, and our allies.

I want to thank the witnesses again for their willingness to testify today, as well as what each of you do in service to the American people. We owe you a debt of gratitude.

I now yield to my colleague from New York, Ranking Member Ocasio-Cortez, for her opening statement.

STATEMENT OF THE HON. ALEXANDRIA OCASIO-CORTEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. OCASIO-CORTEZ. Thank you so much, Chairman.

Today's hearing is an opportunity to examine the Federal offshore oil and gas program. The urgency to address Federal fossil fuel development is undeniable as we endure the sixth straight week of record-breaking heat waves from Arizona to New York City.

As it stands, the United States is the world's No. 1 producer of oil and gas, and the second highest emitter of greenhouse gas pollution. Our public lands and waters contribute nearly a quarter to those emissions. As the Federal Government, we have an obligation to make our public lands part of the solution to the climate crisis, rather than the problem.

The Outer Continental Shelf Act, which allows the Federal Government to lease lands in our Federal waters, was passed to secure national energy security. With the support of Federal agencies like the Department of the Interior and the Department of Energy, our nation has pioneered offshore technologies that set the global standard.

But the current arguments characterizing energy independence lose credibility when you discover that the United States is currently exporting 50 percent more oil and gas than we did in 2019, all while prices we see at the pump here at home and on our utility bills remain high. Why is that?

Companies are profiting off of a volatile global market by pushing domestic prices higher, while communities here at home continue to suffer from the impacts of oil and gas development. That, ladies and gentleman, is what we call an oil cartel.

Let's be clear. Oil companies brought in $200 billion in profit last year, while high energy prices meant that many families struggled to keep food on the table. These companies operate with light oversight and almost total disregard for the substantial pollution they cause, their climate impacts, and the neighboring communities that have become sacrifice zones.

So, whose security is really at stake here? Let's get into what it could look like to protect our workers.

To date, offshore drilling companies have amassed thousands of leases covering more than 11 million acres of Federal waters. A staggering 74 percent of these leases have never produced oil or gas; 9 million acres remain leased, but inactive. Despite these massive holdings, these companies continue to seek more.

Companies will claim they are creating new jobs, but these claims fall flat as we witness the oil and gas industry systematically automate, shedding its workforce, leaving fuel workers with declining wages and uncertain futures as CEOs take in million-dollar bonuses. Between 2008 and 2019, offshore oil production in the Federal waters off Louisiana increased by 44 percent, while direct employment in the industry crashed by 62 percent. A 2020 survey of offshore workers in the Gulf revealed that nearly 50 percent had been laid off at least once, and 15 percent reported being laid off more than once.

We are producing more oil and gas than ever with fewer and fewer people. For generations, workers in the Gulf of Mexico have risked life and limb to sustain our way of life. But now it is time to build upon that legacy and look toward the future. We owe American workers energy stability and protection, not hollow promises.

So, I ask again, as our communities lose jobs to volatile oil companies, whose security is really at stake when we talk about energy security and independence? And let's get into what it would look like to protect frontline communities.

Gulf Coast communities bear the brunt of these impacts, economic and environmental. These communities experience the booms and busts of a volatile industry. Oil spills degrade fishing grounds and threaten coastal livelihoods. Pipeline canals and petroleum withdrawal have decimated the iconic boot of southern Louisiana. The release of toxic pollutants from industry leads to respiratory illnesses, disease, and higher rates of cancer. A 2001 study discovered that more than 80 percent of residents of Port Arthur, Texas, the predominantly Black west side, suffered heart and lung ailments.

Oil and gas infrastructure also destroys habitat and disrupts migratory patterns, endangering local biodiversity. Indigenous communities in low-income neighborhoods, which are more often closer to this infrastructure, suffer significant losses in cultural heritage and subsistence resources.

Rather than maintaining the status quo and propping up the fossil fuel industry, let's invest in the cleanup of the thousands of miles of abandoned pipelines and countless abandoned wells and rigs to create jobs and protect the environment. The Department of the Interior's recently proposed regulations to hold companies better accountable with stronger financial assurances for cleanup of used wells is a step in the right direction.

Last Congress, we signed into law historic investments in climate and clean energy, including long-overdue reforms to offshore oil and gas programs and essential investments in renewable energy to further the transition through the Inflation Reduction Act. But that legislation also included a deal to tie future renewable energy to oil and gas leasing for the next 10 years.

This provision forces us to choose, continued burdens for environmental justice communities or renewable energy development to fight the climate crisis, a choice that we should not be forced to make. It is time we right that wrong and advance renewable energy without forced ties to fossil fuels.

Yesterday, I introduced the Nonrestrictive Offshore Wind Act, or the NOW Act, to repeal that tie and pave the way for clean, union-led offshore wind industry. The stakes are high. The health of the planet and the well-being of the workforce and future generations hang in the balance.

I look forward to hearing from our witnesses, and I yield back to the Chair.

Mr. STAUBER. I thank you very much. I will now introduce our witnesses.

Mr. Archie Chiasson serves as President, Lafourche Parish, Louisiana; Mr. Paul Danos is founder and Chief Executive Officer of Danos Company, based in Gray, Louisiana; Mr. Mike Minarovic serves as the Chief Executive Officer of Arena Energy, headquartered in The Woodlands, Texas; and Mr. Justin Solet, who is a Gulf South advocate from Dulac, Louisiana.

I will now recognize Mr. Chiasson for 5 minutes.

STATEMENT OF ARCHIE CHIASSON, III, PRESIDENT, LAFOURCHE PARISH, THIBODEAUX, LOUISIANA

Mr. CHIASSON. Good morning, Chairman Stauber and Ranking Member Ocasio-Cortez and members of the Committee. I appreciate the opportunity to be here with you today to speak on behalf of the 100,000 residents of Lafourche Parish, Louisiana, a majority of which wake up every day and put on their hard hats and their work boots and go to work in the offshore energy industry to help provide a significant amount of energy that every American needs in their everyday lives.

I passionately believe that the energy sector and the environment can co-exist together, and I think technology advances in the industry have proven that to be true.

Louisiana is considered to be an energy hub, but also a sportsman's paradise. In Louisiana and in Lafourche Parish, we wake up every day committed to preserving our way of life, our environment, our wildlife, our fishing habitats, our community, as well as helping to deliver much-needed energy. We are on the forefront of our energy and environmental progress, and as a result we have a certain amount of homegrown and real-world experience.

For those of you that don't know Lafourche Parish, it is a mid-sized suburban parish in southeast Louisiana, and we end at the Gulf of Mexico. More importantly, Lafourche Parish is the home of Port Fourchon, the nation's premier energy port that services 100 percent of the deepwater oil and gas activity in the Gulf of Mexico. That means everything that goes offshore: the food, water, mud, and other essential mechanical items, all comes through Lafourche Parish and Port Fourchon.

Some of you on the Subcommittee have seen this industry first-hand, thanks to Majority Leader Scalise's Energy Tour, which stops on active platforms and Port Fourchon, that show how energy and the environment can work together. This critical U.S. port represents $458 million in household earnings to the Lafourche MSA, $243 million in household earnings to the state, and $1.1 billion in household earnings to the U.S. economy.

Economic numbers are hard to visualize, but offshore energy supports our entire community and much of the nation, including support for essential power to keep the lights on here in our nation's capital. The trickledown effect in our local economy in communities like ours all across America. Our offshore energy sustains local grocery stores like Rouses Supermarkets and restaurants like Grady V's or the Kajun Twist, small businesses, and many more. The same story can be shared in small towns all across the nation, all because we are maintaining the offshore industry.

And the offshore industry is not just oil and gas, but also offshore wind and offshore carbon capture. Louisiana is set to service and provide manpower and expertise to help diversify American energy industry. For Lafourche Parish, it is critical that we have a robust offshore energy industry to help support our community.

In the past few years, we have seen unexpected and unnecessary delays in Federal approvals for offshore oil and gas leasing, as well as permitting gaps that have created uncertain operating conditions, and undoubtedly led to increased energy prices for American consumers, families, and businesses. Getting our national offshore leasing program back on track and streamlining our broken permitting process are just two pieces of the many critical regulatory obstacles that need immediate attention.

We are not just talking about impacts to little old Lafourche Parish, but policies that have an effect on every American. These regulatory obstacles impact our residents and businesses in profound ways. And just to give you a glimpse of what the industry means to the Bayou region, we have 8,015 jobs tied strictly to Port Fourchon and another 10,000 or so tied to the service industries within the oil and gas that mostly serve as companies in the offshore marine operators, but also dozens of ancillary businesses.

For every one job lost, there are three other jobs lost in our region, and on the state level, that number is much worse. For every one job lost, there are five jobs lost elsewhere in our economy. It is the threats to families and the thousands more like this that keep me up at night because any job lost is unacceptable.

We continue to watch our nation turn the switch off and move to alternative energy sources overnight. This is proving to be untrue, as evidenced by the fact that even as we ramp up the use of wind and solar alternatives, more than 80 percent of today's energy use still comes from oil and gas.

Again, I fully believe in alternative energy resources, but it has to be not one or the other. The answer is we can support oil and gas while still supporting wind and carbon capture. We need to meet our energy realities while meeting our environmental challenges. In fact, if you speak to most Americans, they will support an all-of-the-above policy which includes oil and gas.

For example, at the National Association of Counties annual meeting just this past weekend in Austin, Texas, I had the opportunity to meet with local officials from across the Gulf of Mexico and across the country that support oil and gas. NACO passed several resolutions on energy and the environment, including the support of a new 5-year plan; stable leases in the Gulf, both onshore and Federal lands; offshore oil and gas exploration and production; and offshore carbon capture.

Now let's talk about the impact to lost revenue. We have spent time in reviewing the data and found that our economy would suffer an incredible 15 percent reduction per year should permits not be approved and no new oil and gas lease sales occur. That 15 percent equates to about a $15 million impact just to our parish government. That figure does not include money lost to GOMESA, which helps us to protect our wetlands.

In Louisiana, GOMESA revenue is plugged into our state's coastal master plan, which is a science-based, 50-year, $50 billion plan to save our coast and provide critical flood protection to our residents. The state of Louisiana just received $87.9 million in funds that were derived from offshore oil and gas industry. Our state relies on the promise of the Federal Government to help preserve the unique and critical habitat, and to ensure that we can continue to enjoy this environment. But we don't just rely on the Federal dollars. We also have worked with our industry partners to help rebuild our coast.

That 15 percent revenue reduction also does not include impacts to our schools, law enforcement, fire services, or emergency medical service, or merchants, or hardware stores, or restaurants, and our small businesses, and on and on. That impact is extrapolated over and over again as it spreads to other parishes throughout the state, the region, and the entire country.

As we have long said, Louisiana is special, and the offshore industry helps us to remain that. While we understand the importance of looking at other forms of energy, whether they be solar or wind, the oil and gas industry will still play a critical role in moving our nation forward, and the discussion needs to be centered on the energy addition, not an energy transition.

Currently, many Louisianans work with BOEM and the Gulf of Mexico Intergovernmental Renewable Energy Task Force that Governor Edwards helped create. The purpose of the task force is to provide education, coordination, consultation, related and renewable energy planning activities for the Outer Continental Shelf in the western Gulf of Mexico. Working with Federal, state, and local officials, this group has helped to shape the offshore wind energy lease areas and what they will look like.

This is extremely exciting for us in Louisiana, since we know we have the skills and the equipment to play a major role in this new energy addition, so much so that Port Fourchon has already begun leasing property to Gulf offshore wind developers, and we have coined Lafourche Parish as the gateway to Gulf Wind.

This is why Lafourche Parish has supported legislation like H.R. 1 and the BREEZE Act to help send revenues from offshore wind lease sales back to the producing states. The Shores Coalition has made numerous trips to meet with Members of Congress to talk about the importance of not only new offshore oil and gas leases, but also the importance of offshore wind and that revenue sharing.

In Louisiana, we have consistently dedicated revenue from——

Mr. STAUBER. Mr. Chiasson, can you wrap it up? Five minutes.

Mr. CHIASSON. Yes, sir. I am sorry.

Finally, Chairman Stauber, we understand that there is a need for the energy addition to help continue to drive our nation forward. And we also understand that oil and gas exploration must still have to happen. And for the Biden administration to pretend that oil and gas can be easily removed from our energy mix is just not the case.

Whether we are looking at lithium batteries mined in Mexico with natural gas or whether we are looking at offshore wind platforms that need to be lubricated with an oil and gas product, the boats from Cut Off, Louisiana who went up there went up there with diesel-powered engines.

Thank you, Mr. Chairman. I appreciate the opportunity to be here today, and for everyone's support of the continued momentum to keep the energy sectors and the environment moving forward together.

[The prepared statement of Mr. Chiasson follows:]

PREPARED STATEMENT OF ARCHIE CHIASSON, III, PRESIDENT, LAFOURCHE PARISH, LOUISIANA

Good morning Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Committee, I appreciate the opportunity to be here today speaking on behalf of the 100,000 residents of Lafourche parish, Louisiana, a majority of which wake up every day, put on their boots and go to work in the offshore energy industry to help provide a significant amount of energy every American needs each and every day.

I passionately believe energy and the environment can co-exist and flourish—and I think technological innovation has proven this to be the case.

Louisiana is considered to be an energy hub, but also a sportsman's paradise. In Louisiana, and Lafourche Parish, we wake up every day committed to preserving our way of life, our environment, our wildlife, our fishing habitats, our communities, as well as helping to deliver much needed energy. We are on the frontlines of our energy and environmental progress; and, as a result, we have a certain amount of homegrown, real-world expertise.

For those of you that do not know, Lafourche Parish is a midsize suburban parish in Southeast Louisiana that ends at the Gulf of Mexico. More importantly, Lafourche is home to Port Fourchon, the nation's premier Energy Port that services 100% of the deep-water oil and gas activity in the Gulf of Mexico. That means that everything that goes out to a platform: mud, water, food, and other essential mechanical items, comes through Lafourche Parish and Port Fourchon. Some of you on the Subcommittee have seen the industry first hand thanks to Majority Leader Scalise's Energy tour with stops on an active platform and Port Fourchon that show how industry and the environment can work together.

This critical U.S. Port represents $458 million dollars in household earnings to the Lafourche MSA, $243 million dollars in household earnings to the state, and $1.1 billion dollars in household earnings to the United States economy.

Economic numbers are hard to visualize, but the offshore energy industry supports our entire community—and much of the nation, including helping to provide the essential power to keep the lights on in our Nation's Capital. The trickle-down effect in our local community—and communities like ours across America: Our offshore energy sustains local grocery stores like Rouses Supermarkets, the restaurants, like Grady V's or the Kajun Twist, small businesses, and more. This same story can be shared in towns all across the nation—all because we are maintaining an offshore industry.

And, the offshore industry is now not just oil and gas, but also offshore wind and offshore carbon capture. Louisiana is set and ready to service and provide the manpower and expertise to help diversify America's energy industry.

For Lafourche Parish, it is critical that we have a robust offshore energy industry to support our community.

In the past few years, , we have seen unexpected and unnecessary delays in federal approvals for offshore oil and gas leasing, as well as ongoing permitting gaps that have created uncertain operating conditions and have undoubtedly led to increased energy prices for American consumers, families and businesses.

Getting our national offshore leasing program back on-track and streamlining our broken permitting process are just two pieces of many critical regulatory obstacles that need immediate attention. We are not just talking about impacts to little old Lafourche Parish; these policies have an impact on every American.

These federal regulatory obstacles impact our residents and businesses in profound ways. Just to give you a glimpse as to what this industry means to the Bayou Region, we have 8,015 jobs tied strictly to Port Fourchon with another 10,000 or so tied to the oil and gas industry, mostly through service companies and offshore marine operators, but also through dozens of ancillary businesses. For every one job lost, there are three others lost in our region. On a state level, that number is much worse. For every one job lost, there are five others lost somewhere in the economy.

It is the threat to these families and thousands more like them that keeps me up at night because any job lost is unacceptable! We continue to watch some in our nation think we can turn the switch off and move to alternative energy sources overnight. This is proving to be untrue, as evidenced by the fact that, even as we ramp up our use of wind and solar and other alternatives, more than 80% of today's energy use in the U.S. still comes from oil and natural gas.

Again, I believe fully in alternative energy resources, but it is not one or the other. The answer is that we can support oil and gas, while also supporting wind and carbon capture. We can meet our energy realities while also meeting our environmental challenges.

In fact, if you speak with most Americans, they support all of the above energy policy that includes oil and gas. For example, I was at the National Association of Counties Annual Meeting just this past weekend. I had the opportunity to speak with local officials from across the Gulf of Mexico states and across the country that support oil and gas. NACO passed several resolutions on energy and environment, including in support of a new five-year plan, stable lease sales both in the Gulf and on inshore federal lands, offshore oil gas exploration and production, and offshore carbon capture.

Now let's talk about the impact of lost revenue. We have spent some time reviewing the data and found that our economy would suffer an incredible 15 percent revenue reduction per year should permits not be approved and should no new oil and gas lease sales occur. That 15 percent equates to about a $15-million-dollar impact to just our parish government.

That figure does not include the lost money going to protect Louisiana coastal environment and waters from GOMESA dollars. In Louisiana, our GOMESA revenue in plugged into the State's Coastal Master Plan which is a science based 50 year $50-billion-dollar plan to save our coast and provide critical flood protection to our residents. The State of Louisiana just received $87.9-million-dollars from funds that were derived from the offshore oil and gas industry. Our state relies on this promise from the federal government to help preserve this unique and critical habitat—and ensure we all can continue to enjoy this environment. But we don't just rely on the federal dollars, we have worked with our industry partners too.

That 15 percent revenue reduction also does not include impacts to our schools, law enforcement, fire services or emergency medical services, merchants, hardware stores, restaurants, small business and on and on. That impact number is extrapolated over and over again as it spreads to other parishes throughout the state, the region and the entire United States. As we have long said, Louisiana is special, and the offshore industry helps ensure that we remain special.

While we understand the importance of looking at other forms of energy, whether they be solar or wind, the oil and gas industry will still play a critical role in keeping our nation moving. The discussion needs to be centered on an Energy Addition not an either-or option. Currently, many Louisianans work with BOEM and the Gulf of Mexico (GOM) Intergovernmental Renewable Energy Task Force that Gov. Edwards helped create. The purpose of the task force is to provide education, coordination and consultation related to the renewable energy planning activities on the outer continental shelf (OCS) in the Western Gulf of Mexico. Working with federal, state, and local officials, this group helped to shape what the offshore wind energy lease areas will look like. This is extremely exciting for us in Louisiana since we know we have the skills and equipment to play a major role in this new energy addition. So much so that Port Fourchon has already begun leasing property to offshore wind developers, and we have coined Lafourche Parish and the Gateway to Gulf Wind.

This is why Lafourche has supported legislation like H.R. 1 and the BREEZE Act to help send revenue from the offshore wind lease sales back to the producing states. The SHORES (Sharing Offshore Revenues from Energy Sources) Coalition has made numerous trips to meet with members of Congress to talk about the importance of not only new offshore oil and gas lease sales but also importance of offshore wind revenue sharing. In Louisiana, we have constitutionally dedicated revenue from offshore lease sales to all things coastal and the work that is being done through the Louisiana Coastal Protection and Restoration Authority's Coastal Master Plan.

Additionally, State Representative Joseph Orgeron is working on a state constitutional amendment that would do the same for the revenue generated by offshore wind lease sales. You see, we are tirelessly working to restore our coast and protect our residents and our culture.

Finally, Chairman Stauber, while we understand that there needs to be an energy addition to help continue to drive our nation forward, we also have to understand that oil and gas exploration and production is still a must. As the Biden Administration moves to increase the use of renewable energy, they are asking us to pretend that oil and gas can be easily removed from our energy mix. In reality, those lithium batteries that power electric cars come from mines in Mexico that are powered by generators fed with natural gas. The wind farms that dot the east coast and other parts of our country need to be lubricated and you cannot do that without petroleum products. And lastly, the lift boats that came from Cut Off, Louisiana, to help erect those windmills on Block Island did not get up there by themselves. They were propelled by diesel engines. There is a world where we continue to use oil and gas while also making environmental progress that not only supports Americans daily needs for energy, but also supports my community in Lafourche.

I appreciate the opportunity to be here today and for everyone's support for the continued momentum to keep the energy sectors and the environment moving forward together.

Mr. STAUBER. Thank you very much. The Chair now recognizes Mr. Danos for 5 minutes.

STATEMENT OF PAUL DANOS, CHIEF EXECUTIVE OFFICER, DANOS COMPANY, GRAY, LOUISIANA

Mr. DANOS. Thank you, Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the Subcommittee. Thank you for having me here today to testify. My name is Paul Danos. I am the President and CEO and one of the owners of Danos. We are a 76-year-old family business.

Chairman Stauber, somebody gave you some bad information. I wasn't a founder, I wasn't around in 1947 when we started. That would be my grandfather. I represent the third generation of our business, actually. My youngest daughter is sitting behind me representing the fourth generation today.

I am also current chair of the National Oceans Industry Association, or NOIA. For more than 50 years, NOIA has represented all segments of the offshore energy industry, including offshore oil and gas, offshore wind, offshore minerals, and offshore carbon sequestration.

As I mentioned, my grandfather started the company in 1947, and he really did it, certainly, as a way to improve his life and his family's life, but also as a way to provide jobs for our community. And today, we have about nearly 3,000 employees, so our community has expanded. We provide jobs throughout the country, primarily in oil and gas, but also supporting other forms of energy and coastal restoration, which I will talk about.

But today, the conversation around energy focuses, more often we think of and hear oil companies with names that we recognize, maybe that we see at the gas pump, the major oil and gas companies. And we appreciate those companies. Our company works for those companies. They invest billions of dollars of capital into this business.

But really, most of the frontline workers who are on the rigs, on the platforms, work for companies like Danos, companies that you probably haven't heard of, family-owned companies that are putting people to work in our industry. And those are the folks that I am representing today, not just our employees, but all of those frontline workers who are really heroes that do the work for our business.

My point here is to say that we know that the policy that comes out of Washington has a massive impact on these people, the people that are doing the work. And really, what I would like to say on their behalf is that any policy that limits production in the United States, and particularly offshore production for oil and gas in the United States and the Gulf of Mexico, is bad for national security, it is bad for jobs, and it is bad for the environment.

And the reason it is bad for the environment, a recent study by ICF International commissioned by NOIA found that the barrels produced in the U.S. Gulf of Mexico deepwater have carbon intensity of 46 percent lower than the average barrel produced outside of North America. So, demand for oil and gas is about 100 million barrels a day. And if we reduce supply or production in the United States, that demand is not going to change, and those barrels are going to be produced elsewhere, so we are going to trade those barrels for dirtier, higher-carbon-intensity barrels at the same time sending jobs overseas, reducing our national security, and impairing our economy.

The next main point I would like to make is what we need in this industry is predictability when it comes to leasing. We talked about that. That has been said today. But really, when you think about the oil and gas industry, it is like a long conveyor belt. And the first thing that happens is those oil and gas leases get put on the conveyor belt. And as they go down along the conveyor belt, yes, it is true that some of those leases are found to be uneconomic and don't eventually produce oil and gas. But many of those leases eventually, as they work their way down the conveyor belt, exploration happens, appraisal happens, investment happens, we begin to provide jobs. People are working on those leases.

One day, many of those leases get to a point where they are producing hundreds of barrels a day, thousands of barrels a day, tens of thousands of barrels a day, sometimes hundreds of thousands of barrels of oil and gas every day, they come from those leases. And what happens is, if we are not putting leases on the conveyor belt, at some point we are going to be sitting around with capital and people, trained people, here in the United States ready to deploy and do the work, and there will be nothing on that conveyor belt.

So, we are in the midst of this unprecedented pause in leases, and I thank the Committee for the work that they are doing. But the ultimate result will be, again, sending those barrels overseas and increasing energy costs for Americans.

The offshore energy sector has unparalleled expertise, as well, and experience in deploying technologies that are going to decarbonize energy going forward. And I would agree with Mr. Chiasson, it is not an either/or, it is a both. Even companies like Danos are investing in shoreline restoration. We are doing 3D printed coral, 3D printed artificial reefs to stabilize shorelines. It is part of what we do. We are partnering with a company out of North Carolina that has some really amazing technology to deploy.

So, again, thank you for your time today. Thank you for the opportunity to testify, and I will look forward to your questions.

[The prepared statement of Mr. Danos follows:]

PREPARED STATEMENT OF PAUL DANOS, OWNER, PRESIDENT, AND CEO, DANOS COMPANY

Chairman Stauber, Ranking Member Ocasio-Cortez, and members of the subcommittee, thank you for inviting me to testify today. My name is Paul Danos, and I am Owner, President, and CEO of Danos, a 76-year-old, family-owned company out of Houma, Louisiana that provides labor and project services for energy companies throughout the country. In 1947, my grandfather started Danos as a small tugboat company supporting Gulf of Mexico oil and gas operations while conducting business from my grandmother's kitchen table. Today, Danos has grown into a global presence and a trusted strategic partner for energy project developers around the globe.

Danos offers onshore and offshore customers an extensive range of integrated services, including workforce, construction, fabrication, project management, supply chain, shorebase and logistics, mechanical maintenance, coastal restoration, power generation, and various other services. Danos has 2,700 employees, with nine offices in Louisiana and Texas and operations across the Gulf of Mexico and North American shale plays. Looking forward, we plan to continue adding service lines, expanding into renewable energy, and increasing operations to meet the needs of our customers. Throughout the past seven decades, our company has maintained an unfaltering commitment to values, safety, and overall results for our clients. This is the ethos we will continue to embrace as we rise to meet the energy needs of tomorrow.

A vital part of Danos' business profile has been the ability of our company to diversify our work in the energy sector and positively contribute to communities through environmental stewardship. Our environmental stewardship includes efforts taken to sustain and preserve the natural environment as well as actions to reduce or mitigate impacts to the environment.

Our commitment to preserving and protecting the environment is a natural extension of our company purpose, "to solve big challenges for our customers and communities." We have a great opportunity to leverage our expertise and competencies to help customers meet today's energy demands without compromising the environment for tomorrow. We aim to reduce our carbon footprint while supporting customers as they strive to meet global environmental standards. We have identified three key pillars of focus regarding the environment:

- Protect, preserve, and restore the natural environment.
- Reduce the environmental impact of Danos' operations.
- Support renewable energy business opportunities.

Danos is leading the way in wetlands and coastal environmental restoration and protection through several key initiatives:

- Danos has embarked on a collaborative partnership with 3D-printing technology company Natrx to positively impact coastal resiliency and restoration by designing, manufacturing, and installing innovative nature-based infrastructure solutions that reduce carbon emissions. The revolutionary process cuts material usage by up to 70%, generates up to 300% higher protective biomass, and increases habitat by 650% per linear foot of infrastructure vs. rock or solid concrete structure. Our first joint project involved the placement of "Cajun Coral," an innovative 3D-printed infrastructure, to establish a new reef in Catfish Lake, part of the Golden Meadow marshland area. The installation has provided more substantial protection from erosion for this vital coastal wetland and home to a growing population of oysters and other sea life.

- To that end, Danos and Natrx have signed a letter of intent to partner on coastal issues, and we have continued to work on projects deploying nature-based technologies. Danos has exclusive rights to manufacture Natrx's proprietary Oysterbreak and ExoForm technology across the Gulf South region. Through this partnership, we are able to execute projects for coastal restoration, artificial reef creation, and pipeline protection.

Danos actively participates in various wetland conservation groups, including Partnership for our Working Coast (POWC), Coalition to Restore Coastal Louisiana, Coastal Conservation Association, Louisiana Sea Grant, Restore or Retreat, and the LSU College of the Coast and Environment. As a member of POWC, an alliance of industry and environmental entities led by the Water Institute of the Gulf, Danos supports efforts to protect vital infrastructure in Port Fourchon. With planned improvements to the Port expected to produce millions of cubic yards of dredged materials, POWC has identified the most beneficial ways to use this material to contribute to Louisiana's coastal sustainability efforts, protect coastal communities, and support America's Working Coast.

I am also the current chairman of the National Ocean Industries Association, or NOIA. For more than 50 years, NOIA has represented the interests of all segments of the offshore energy industry, including offshore oil and gas, offshore wind, offshore minerals, and offshore carbon sequestration. The membership of NOIA includes energy project leaseholders and developers and the entire supply chain of companies—like Danos—that make up an innovative energy system contributing to the safe and responsible exploration, development, and production of energy for the American people.

The conversation around energy often focuses on the major oil and gas companies, but it is important to recognize and appreciate that it is companies like Danos that do much of the work and employ a substantial portion of the workforce that develops U.S. energy projects. For instance, there are thousands of companies and hundreds of thousands of U.S. workers that support oil and gas production out of the U.S. Gulf of Mexico. So, when it comes to energy policy, decisions in Washington have a massive impact on the employees of Danos in Louisiana, throughout the Gulf Coast, and in communities all across America. I can also personally attest that companies throughout the energy supply chain are taking tangible steps to reduce the environmental and emissions impact of operations.

The offshore energy sector is a proven leader in solving energy challenges and delivering diverse sources of energy to the global economy. The offshore industry brings together the companies that produce foundational energy sources such as oil and gas, while leading innovation and investment in energy sources and technologies that will drive decarbonization efforts well into the future. The offshore energy sector has unparalleled expertise and experience deploying and scaling technologies at levels necessary to achieve decarbonization objectives. Companies throughout the offshore industry continue to lead the way in innovating low emission solutions that include offshore wind, carbon capture and storage, hydrogen, and geothermal, among others.

For the foreseeable future, the offshore industry will play an integral role in shaping an energy system that promotes the production of affordable and reliable energy while continuing to reduce environmental impacts, including emissions. Importantly, for the coming decades, oil and gas supplies will remain a vital energy source for Americans and our allies around the globe, while we simultaneously integrate and add low carbon sources into the mix.

Energy production in my backyard—the U.S. Gulf of Mexico—demonstrates that it is possible to develop offshore resources while adhering to the highest safety and environmental standards. A multitude of companies involved in offshore energy development are working collaboratively to shrink an already small carbon footprint. From electrifying operations to deploying innovative solutions that reduce the size, weight, and part count of offshore infrastructure—thus increasing safety and decreasing emissions—the U.S. Gulf of Mexico hosts a high-tech revolution.

Currently, global oil consumption is approximately 100 million barrels per day. Various scenarios forecast global oil consumption volumes through 2050 and beyond, and nearly all of them predict similarly high levels of oil production will be necessary through at least 2050. The facts, data, and our experience make clear that we should focus on the U.S. offshore region, and the Gulf of Mexico in particular, for securing those vital resources.

Oil produced from the U.S. Gulf of Mexico has a carbon intensity one-half that of other producing regions.[1] The technologies used in deepwater production—which represents 92 percent of the oil produced in the U.S. Gulf of Mexico—place this region among the lowest carbon intensity oil-producing regions in the world.[2]. Moreover, a recent study by ICF International, and commissioned by NOIA, found that that U.S. Gulf of Mexico has a carbon intensity 46% lower than the global average outside of the U.S. and Canada, outperforming other nations like Russia, China, Brazil, Iran, Iraq, and Nigeria.[3]

Policies that restrict domestic offshore development require imports to make up the shortfall, and that supplemental production comes from higher-emitting operations in other countries. Foreign providers generally employ less environmentally conscientious production methods,[4] which when combined with the added emissions from transporting oil over great distances by tanker, increases the amount of carbon released into the atmosphere rather than decreasing it.

Emissions reduction is a global challenge. As analysts at Wood Mackenzie explain, "Removing or handicapping a low emitter hurts the collective global average."[5] Removing a proven, stable supplier such as the U.S. Gulf of Mexico would be a poor choice with devasting consequences. The better choice is to institute government policies that promote cleaner and safer domestic production, less reliance on higher-emitting foreign suppliers like Russia and China, and the preservation of hundreds of thousands of American jobs.

Efforts to restrict U.S. energy development could eventually lead to Americans of every walk of life having to contend with the issues Europe has been experiencing as a result of disrupted supply from Russia, including potential industrial curtailment and families having to make difficult choices between heat and food. Our energy reality makes it clear that U.S. energy policy should support U.S. energy production of all types, including offshore oil and gas and wind. Government policies play a substantial role in the ability to develop energy in the U.S., whether onshore or offshore, and whether the energy source is oil and gas, wind, hydrogen, or another resource. Obstructive government policies inevitably lead to adverse consequences for our energy security, national security, economic security, and decarbonization efforts.

We are fortunate in the United States that our Gulf of Mexico region is up to the task of delivering the oil and gas the economy needs. Production numbers from the U.S. Gulf of Mexico place it in the company of some of the largest oil producing countries. If the Gulf of Mexico were its own country, it would be one of the top 11 oil producing countries:

[1] Motiwala, and Ismail, "Statistical Study of Carbon Intensities in the GOM and PB," ChemRxiv, April 13, 2020.

[2] https://www.woodmac.com/news/the-challenge-of-negative-emissions/

[3] https://www.noia.org/new-report-u-s-gulf-of-mexico-oil-gas-production-leads-with-lower-emissions-including-methane/

[4] https://epi.yale.edu/epi-results/2022/component/epi

[5] https://www.woodmac.com/news/opinion/could-restricting-oil-production-in-the-us-gulf-of-mexico-lead-to-carbon-leakage/

Source: U.S. Energy Information Administration.

Offshore energy is truly a story of accomplishing more with less—creating more energy with less environmental impact. Offshore production platforms are incredible edifices of continuously evolving technology that allow enormous amounts of energy to be produced through a relatively small footprint. Incredibly, 18 deepwater facilities, which equate to about the size of only nine city blocks, produce about the same amount of oil as the entire state of North Dakota.[6]

From a regulatory standpoint, federal government policy must serve to eliminate potential roadblocks to investment in energy projects, including offshore wind. The recent debt ceiling agreement included important changes that will hopefully help streamline the permitting process. The National Environmental Policy Act (NEPA) is a bedrock law for guiding the federal decision-making process with due consideration of the potential environmental impacts. However, as with any rule or regulation, it is important that we take the time to review and improve rules and regulations as necessary to promote efficiency and effectiveness in regulation. The inclusion of many aspects of Congressman Graves BUILDER Act in the debt ceiling agreement was a very positive step toward streamlining the NEPA process. We remain hopeful that Congress will continue to work together to refine and improve all aspects of permitting.

We also remain concerned about potential delays to investment in American energy projects as a result of the actions of the Administration. As the Administration reviews and reworks regulations and energy programs, it will be important to ensure changes to the regulatory framework are conducted in a way that promotes the development of all forms of American energy. Environmental stewardship and energy progress are not mutually exclusive; for example, Danos and members of NOIA have consistently been leaders in both arenas. Promulgating rules that balance the need for energy development with effective environmental stewardship will provide the certainty these massive investments require.

The implementation of NEPA by federal agencies will ultimately determine the timeline and pathway for many U.S. energy projects. Timely and transparent NEPA processes are of significant importance to project developers, investors, employees, and contractors whose jobs and livelihoods are tied to projects subject to NEPA reviews. Preconstruction delays for projects typically add costs and delay the delivery of the benefits that projects can bring. Delays and associated cost increases can even result in projects being canceled altogether. In today's globalized economy, where there is a high level of competition for the world's investment, increasing uncertainty and delays in the federal permitting process can serve to drive

[6] Director Scott Angelle, BSEE Director, BSEE Presentation to the Deepwater Technical Symposium, November 13, 2020.

investments elsewhere. It is imperative that U.S. energy policy supports the global competitiveness of U.S. energy investment.

In order to fully unleash American energy potential, it is vital that federal policy promotes consistency and predictability in leasing, permitting, and regulation. In an unprecedented fashion, the Administration has paused and delayed offshore oil and gas leasing and has failed to timely develop a new leasing program for U.S. federal waters, putting into jeopardy U.S. energy production, major capital investments, and thousands of jobs.

Since its inception, offshore oil and gas production has created hundreds of thousands of jobs and generated billions in royalties for the U.S. Treasury, boosting our nation's energy independence and national security—all while yielding approximately half of the carbon intensity per barrel of other producers worldwide. The offshore industry has also worked with the federal government and conservation partners, such as the Coastal Conservation Association (CCA), to collaborate on innovative efforts like the Rigs-to-Reef program, which repurposes obsolete platforms into habitats for marine life and further helps create a national recreational fishing economy. Additionally, legislation and programs like the Great American Outdoors Act, the Gulf of Mexico Energy Security Act (GOMESA), and the Land and Water Conservation Fund ensure that billions of dollars from federal offshore oil and gas leasing are dedicated to long-term coastal conservation and restoration, environmental protection, and urban recreation programs. Without continued reliable offshore oil and gas leasing this funding is at risk.

The employees of companies like Danos, throughout the Gulf Coast and beyond, rely upon a steady stream of lease sales through a continuously maintained national leasing program so that our companies can thrive and grow. Importantly, based upon what we have seen with prior legislative proposals, Congress could consider legislation that sets a deadline for the completion of the next federal offshore oil and gas leasing program and mandates a minimum number of region-wide Gulf of Mexico lease sales. While the Inflation Reduction Act reinstates canceled lease sales, it does not address the lack of an active federal offshore oil and gas leasing program. Interior is legally required to maintain a leasing program and to schedule and hold lease sales, yet a federal offshore leasing program is currently going through an unprecedented lapse. The long-term success of the Gulf of Mexico as a premier energy region is dependent on the ability of companies to continuously secure acreage through new lease opportunities. Contractors like Danos then have the opportunity to compete for the work in constructing and maintaining these innovative projects. With a heightened level of uncertainty in the Gulf of Mexico, investment dollars could naturally leave the U.S. to be spent in regions with weaker environmental oversight and weaken our energy security. We appreciate the work of this Committee in advancing H.R. 1, the Lower Energy Costs Act, which passed the House of Representatives by a bipartisan vote and included requirements for continued lease sales in the U.S. Gulf of Mexico.

Some critics audaciously claim that the industry has enough leases, and that it is unnecessary to offer more. However, this ignores fundamental realities of the oil and gas market, particularly in the offshore region where hundreds of millions of dollars may often be spent to simply determine if oil exists in commercial quantities within a lease block. One way to think about leasing is through the analogy of a conveyor belt. So long as leases are continuously placed on the conveyor belt, the industry has the ability to continuously take the steps necessary to explore for, discover, develop, and then produce the resources that may be found within the lease. As the leases move along the conveyor belt, companies are continuously analyzing the geology, acquiring and processing seismic data, contracting for drilling rigs and workers, drilling exploratory wells, evaluating drilling results, drilling additional wells, determining whether the field contains commercial quantities of oil and gas, and finally, designing and procuring production facilities and associated infrastructure. During each stage, companies must apply for various plans, permits and approvals. In many cases, companies determine that oil and gas is not commercially recoverable and the company ultimately relinquishes the lease back to the federal government. It is also important to recognize that companies pay bonus bids to obtain a lease, rentals to continue to hold the lease, and then royalties if the lease is producing oil or gas. All told, it costs companies significant resources, in terms of capital investment as well as time and man-hours, to explore for and potentially develop these resources.

As the U.S. and its allies attempt to overcome mounting geopolitical instability provoked by the Russian Federation, the Chinese Communist Party, and other adversaries around the world, the importance of the Gulf of Mexico in providing energy and national security for our nation and our allies will only grow. With a five-year offshore leasing program and uninterrupted lease sales, energy experts predict that the Gulf of Mexico will continue as the backbone of U.S. energy production by producing an estimated average of 2.6 million barrels equivalent per day from 2022–2040. Conversely, experts also project that a delay in the program could translate to nearly 500,000 barrels equivalent per day less over that period. The reason for this delta in future production under different leasing program scenarios is simple; without new leasing, companies cannot replenish their energy portfolios with new lease blocks. Having a robust and diversified exploration portfolio is critical to business health and delivering energy, as most leases do not contain commercially viable amounts of oil or natural gas. Put simply, continued lease sales in the U.S. offshore region means continued U.S. oil and gas production for years to come. With the Gulf of Mexico recognized as a region that produces some of the lowest-carbon intensity barrels in the world, more lease sales are good for us, our allies, and global emissions.

The dire need for a healthy federal leasing program is compounded by the impact of the energy provisions passed within the Inflation Reduction Act (IRA). With periodic oil and gas lease sales in the Gulf of Mexico now required in order for the Department of the Interior to issue offshore wind leases, the urgency for leasing for both sectors is now tied together by Congressional mandate. Many of the same companies that built the offshore oil and gas sector in the Gulf of Mexico are now participating in the build-out of the offshore wind sector in the Atlantic. This includes many service and supply companies, like Danos, who have expertise in marine construction, fabrication, subsea engineering and design, and offshore vessel services. A steady stream of offshore oil and gas and offshore wind lease sales is needed for the supply chain to fully realize these incredible opportunities before us.

The U.S. and global economies continue to depend upon reliable and affordable supplies of all forms of energy—and specifically oil and natural gas—to maintain a high standard of living. Continued U.S. domestic oil and gas development, particularly offshore production, provides vast benefits and a sensible pathway for energy security for the next few decades. At the same time, the U.S. energy industry is contributing to the development of low and zero carbon energy options, including wind, hydrogen, and carbon removal technologies. Danos, the members of NOIA, and energy companies across the nation stand ready to work with policy makers to advance policies to ensure that Americans can rely upon an affordable and reliable energy system built upon strong pillars of energy, economic, national, and environmental security.

It is an honor for me to testify before the committee. Thank you for this opportunity.

Mr. STAUBER. Thank you very much. I will now recognize Mr. Minarovic for 5 minutes.

STATEMENT OF MIKE MINAROVIC, CHIEF EXECUTIVE OFFICER, ARENA ENERGY, THE WOODLANDS, TEXAS

Mr. MINAROVIC. Thank you, Chairman Stauber and Ranking Member Ocasio-Cortez, for the opportunity to testify this morning. My name is Mike Minarovic, and I am the CEO of Arena Energy, which is an independent exploration company exclusively focused on the Gulf of Mexico. We are one of the most active drillers on the Gulf of Mexico.

In the past 24 years, we have invested a total of $7 billion in the Gulf, and paid the Federal Government $1.4 billion of royalties alone. Last year, our company paid the Federal Government $230 million combined royalties and corporate taxes. That is including payroll taxes.

I also speak to you today on behalf of the Gulf Energy Alliance, which is a coalition of independent Gulf producers. Although we are not household names, independents are the backbone for the offshore industry, producing 35 percent of the oil and natural gas from this basin.

[Chart.]

Mr. MINAROVIC. I want to turn your attention to this plot of the world oil demand. Over the last 60 years, the bars are represented in green. You can see the steady increasing oil demand. And then the blue, purple is EIA's base projection going forward. I recognize that today we are using 102 million barrels of oil a day. And the EIA projects that we will continue to use more oil throughout the end of this decade, rising to 109 million barrels of oil a day.

One of the remarkable parts of this plot, there is a lot to talk about here, but one of the remarkable things is when we shut down this world in 2020 because of COVID, when we stopped flying, when we stopped driving, we stopped industry, we still used 92 million barrels of oil a day. That is how hard this problem is.

We can't restrict supply. We have to focus on demand. We have to transition away from this, but we have to do that by reducing demand. Reducing supply without reducing demand will only increase the price. And we learned what that will do in 2020.

The reason demand keeps going up is the next plot I would like to show you, which is the continued increase of the population of the world. We hit 8 billion people this year. We add a billion people every 12 years on a steady rate, and the World Health Organization expects that to continue.

[Chart.]

Mr. MINAROVIC. If you look at the table on the upper left, it is dramatic. Who is using the oil? This is oil use per year per person by region. The United States, 22 barrels per person per year. Western Europe, half of that. The global average, 20 percent of what we use in the United States.

But the important thing for the future of oil demand is the three regions below: China, India, and Africa, the continent of Africa. Those three regions are using significantly less than the global average. Those are where the demand is growing, and those regions represent half the population of this world. Four billion people live in China, India, and Africa. That is where this global demand is going to be settled in the future.

I would love to talk about this some more; we will get back to my testimony.

The world is going to use a lot of oil for a long time, and we need to have a good price for energy as we transition away from it. If we have higher prices, it will make the transition more difficult. The best place to produce that oil is the Gulf of Mexico. The offshore industry creates numerous high-paying jobs, and residents in states adjacent to the Gulf overwhelmingly support offshore development. Our operations are many miles removed from any shoreline communities.

The past 19 years, offshore production contributed $125 billion to the U.S. Treasury through royalties and lease bonuses. About 17 percent of every dollar of offshore revenue goes straight back to the Federal Government and many state programs, including GOMESA and the Land and Water Conservation Fund.

On top of all that, various studies, as referenced previously, show that oil produced in the U.S. Gulf of Mexico has half the greenhouse gas emissions of other producing regions, and is among the most environmentally advantaged oil produced in the world.

But the industry continues to face challenges, especially after the last few years. Future offshore lease sales remain uncertain as the 5-year lease plan expired in 2022, and no new plan has been presented, despite the statutory requirement to do so. New offshore leases are the feedstock for future production from the Gulf of Mexico, and delay will ultimately result in less production from the most environmentally advantaged barrels of oil.

Compounding this leasing uncertainty, the Biden administration recently issued a proposed rule that requires massive increases in financial bonding for independent offshore producers. According to the proposed rule's own analysis, it will cost the industry $5 billion in total bonding costs over the next 20 years: $250 million per year. The stated purpose of the proposed rule is to protect the American taxpayer from exposure to decommissioning liability, which the proposed rule acknowledges is rare.

To be clear, U.S. taxpayers should never be on the hook for any decommissioning liabilities, and there are several policy options available to fully address this risk without jeopardizing the very viability of independent offshore producers.

Solving this problem by proposing a solution that will cost small businesses $5 billion is just ludicrous. The consequences are obvious, and the proposed rule actually states it clearly: "BOEM recognizes that this action may adversely affect in a material way the productivity, competition, or prices in the energy sector. By increasing industry compliance costs, the regulation could adversely make the U.S. offshore oil and gas sector less attractive than regions with lower operating costs."

In conclusion, today the reality is that we live in a world where one man controls the production of 10 percent of the world's oil. This same man has recently used his natural gas production as a weapon in the conflict in Europe. If he were to do the same with just 30 percent of his oil production, we would wake up tomorrow in economic chaos at the exact time when we have voluntarily reduced our strategic oil reserves by nearly 50 percent.

We need to meet continuing U.S. demand, maintain affordable energy prices, minimize the greenhouse gas emissions from fossil fuels, and protect our energy and national security. Oil production from the U.S. Gulf of Mexico is a big part of that solution.

Thank you for the opportunity to testify. I am happy to take questions.

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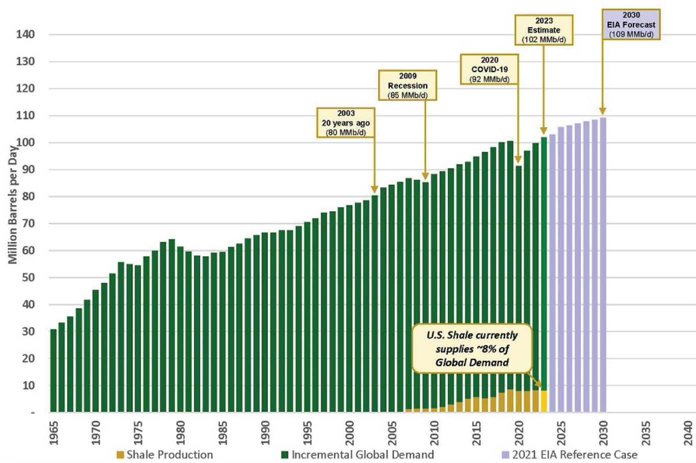
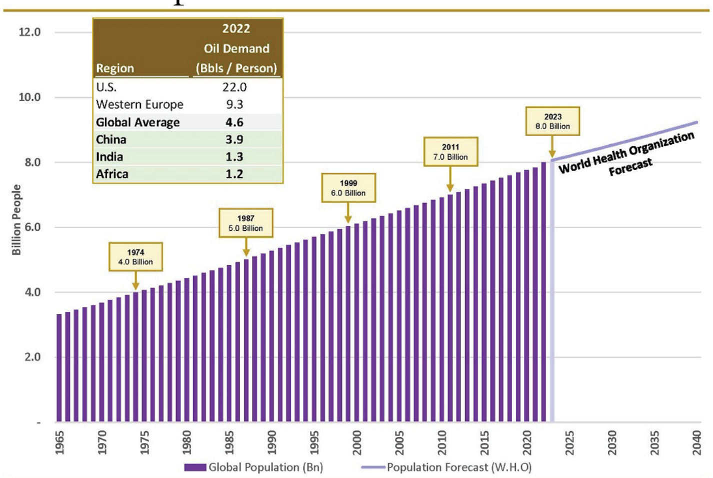
Charts shown during Mr. Minarovic's testimony follow:

Global Oil Historical Demand



Global Population



Region	2022 Oil Demand (Bbls / Person)
U.S.	22.0
Western Europe	9.3
Global Average	**4.6**
China	**3.9**
India	**1.3**
Africa	**1.2**

[The prepared statement of Mr. Minarovic follows:]

PREPARED STATEMENT OF MIKE MINAROVIC, CHIEF EXECUTIVE OFFICER, ARENA ENERGY, LLC

Chairman Stauber, Ranking Member Ocasio-Cortez, and Members and staff of the Committee and Subcommittee, thank you for the opportunity to testify this morning. My name is Mike Minarovic, and I am the Co-Founder, President and CEO of Arena Energy, an employee-owned independent exploration and production company with an exclusive focus on offshore oil and natural gas development in the U.S. Gulf of Mexico.

Over the past twenty-four years, Arena has grown into one of the largest private offshore oil and natural gas companies, having invested over $4.7 billion of capital in the Gulf of Mexico, paid over $1.4 billion in royalties to the government, and decommissioned over 350 wells and 50 offshore platforms. Arena conducts its operations with an intense focus on the safety of our employees and contractors and safeguarding the environment. We have produced significant volumes of both oil and natural gas in an environmentally responsible manner, especially relative to foreign producers, many of whom do not share our commitment to environmental stewardship. Our operations support thousands of high-paying jobs along the Gulf Coast, largely in rural communities.

Despite the challenging regulatory environment over the past several years, we have expanded our commitment to the U.S. Gulf of Mexico by creating new companies that provide drilling rigs, pipelines, and environmental remediation and decommissioning services to the offshore industry. These investments were made to ensure safer operations, mitigate pollution risks, and to decommission wells, pipelines, and platforms in the Gulf in a safe and environmentally protective manner. Most recently, we have dedicated resources to repurposing existing oil and gas platforms and pipelines to facilitate offshore renewable energy and carbon capture and sequestration projects. By the numbers, since inception in 1999, the Arena companies have:

- Invested approximately $7 billion in the U.S. Gulf of Mexico
- Drilled over 330 wells
- Produced approximately 5 days of U.S. oil and gas demand
- Supports approximately 5,000 total jobs (directly and indirectly), and
- Paid the federal government approximately $230 million in royalties and taxes in 2022

I also speak today on behalf of the Gulf Energy Alliance, a coalition of leading independent offshore producers whose operations, like Arena's, are primarily focused in the Gulf of Mexico. Independent offshore producers are not household names and have distinctly different business models than the major oil and gas companies. But collectively, independent producers were responsible for approximately 35% of Outer Continental Shelf oil and natural gas production in 2022.[1]

I. The World is Going to Need More Oil

Earlier this week at the G20 Energy Transitions Ministers' Meeting in Goa, India, the "Outcome Document and Chair's Summary" recognized that the world will continue to need access to affordable energy, stating

> [w]e firmly believe that energy security, energy access, market stability, and energy affordability need to be advanced simultaneously while advancing energy transitions, in pursuit of economic growth and prosperity, and ensuring access to modern energy for all, ***leaving no one behind***.[2]

Until U.S. and global demand are fully offset by less carbon-intensive energy sources, we cannot reduce or restrain American production. Doing so will have no impact on domestic demand for oil and natural gas; it will simply force us to meet demand by importing foreign crude barrels with a higher emissions profile than those produced in the U.S. Gulf of Mexico. The global COVID-19 pandemic revealed the national security need to have domestic supply chains for critical products and

[1] Office of Natural Resources Revenue; Bureau of Safety and Environmental Enforcement (2023).

[2] G20 Energy Transitions Ministers' Meeting (22 July 2023), "*Outcome Document and Chair's Summary*," Goa, India (emphasis added).

Russian's invasion of Ukraine demonstrated how precarious the global oil and gas supply and demand dynamic can be in a geopolitical crisis. This crisis demonstrates to the world that Russia is willing to use energy as a weapon, as it pulled natural gas shipments to Europe right before the winter. All these developments show that we must secure the oil and gas the country needs from clean, friendly American sources.

The Energy Information Agency predicts we will need ***more*** forms of ***all*** energy in the future, projecting worldwide energy consumption to grow 50% by 2050.[3] Indeed, within the past month, the International Energy Administration projected that demand would grow to 105 million barrels of oil per day by 2028.[4] World population is growing, and growth is greatest in regions of the world with higher rates of poverty. It is beyond refute that access to affordable energy is a fundamental catalyst for raising standards of living and improving quality of life. Oil and natural gas will remain a necessary and life-sustaining fuel source for decades to come, even as we transition to less carbon-intensive sources over the long-term.

II. The U.S. Gulf of Mexico is the Best Place in the World for Oil and Natural Gas Production

The U.S. Gulf of Mexico is a world-class basin for oil and natural gas exploration and development due in large part to the historical and resounding success of the federal offshore leasing program. While the transition to a lower carbon future is inevitable, fully underway and supported by the industry, global demand for oil and natural gas will continue for the foreseeable future. During the energy transition, we should look for traditional energy sources that support the world's shift to lower emission sources, and oil and natural gas produced in the U.S. Gulf of Mexico is among the most environmentally-advantaged production in the world.

Not all barrels of oil are created equal. If we are serious about addressing climate change in a way that will:

- Meet global demand in the short and medium term,
- Advance emissions reduction efforts,
- Promote environmental justice, and,
- Protect U.S. energy and national security

then what is our best option? The answer is simple: While the world continues to develop non-fossil fuel energy sources, and while we still have demand for fossil fuels, we should look to the least carbon-intensive barrels to meet that demand. We need to look no further than our own backyard in the Gulf of Mexico to accomplish all these goals.

a. Oil and natural gas produced in the Gulf of Mexico is among the most environmentally advantaged production in the world

The U.S. Gulf of Mexico has approximately half the carbon intensity of other producing regions.[5] And the industry continues to improve. From 2011 to 2017, according to the Bureau of Ocean Energy Management (BOEM), carbon emissions from U.S. Gulf operations decreased by approximately 60% even though oil production increased by over 35%.[6] A more recent comprehensive study on global oil production commissioned by ICF concluded that ". . . [t]he U.S. Gulf of Mexico has a carbon intensity 46% lower than the global average outside of the U.S. and Canada, outperforming other nations like Russia, China, Brazil, Iran, Iraq, and Nigeria."[7]

There are several factors explaining the lower carbon emissions of U.S. offshore production. Chief among them are the scale and inherently high level of investment and technology in U.S. offshore operations and the fact that the offshore industry has been intensely regulated for nearly 70 years, which currently includes over 13 regulatory agencies, including, among others: the BOEM, the Bureau of Safety and Environmental Enforcement (BSEE), the U.S. Coast Guard, the Environmental Protection Agency, the Army Corp of Engineers, the Pipeline Hazard Material Safety Administration, the Department of Transportation, the Federal Energy Regulatory Commission, and the Occupational Safety and Health Administration.

[3] Capuano, Dr. Linda, "*U.S. Energy Information Administration's International Energy Outlook 2020*," Center for Strategic and International Studies, Washington, DC (Oct. 14, 2020) p. 36, https://www.eia.gov/outlooks/ieo/pdf/ieo2020.pdf.

[4] IEA Updated (2023).

[5] *See* note 3 on p. 2.

[6] *See "Year 2017 Emissions Inventory Study*," OCS Study BOEM 2019-072 (October 2019) https://espis.boem.gov/final%20reports/BOEM_2019-072.pdf.

[7] *GHG Emission Intensity of Crude Oil and Condensate Production*, ICF (May 8, 2023).

Another reason for the lower carbon emissions is the extensive pipeline network which eliminates the need for shipping and trucking. The venting and flaring of natural gas produced offshore is tightly-regulated, and subsea infrastructure and tiebacks are also important components in driving down emissions.

The U.S. Gulf of Mexico also outperforms the rest of the world in methane emissions. The offshore industry has consistently achieved a ratio of less than 1.25% of flared/vented gas to produced gas, making the U.S. Gulf one of the best performing areas in the world. What explains this? Several factors, including that gas fugitive emission detection systems are widely used on offshore facilities, Vapor Recovery Units are utilized on many large processing platforms to capture methane, and many Gulf platforms utilize ultra-low or zero emission instrumentation to control processing equipment. The Gulf accounted for 15% of U.S. oil production in 2019 yet accounted for only 2.6% of nationwide natural gas venting and flaring emissions from energy production, and less than 1% of total nationwide methane emissions.[8]

In short, demand for oil will continue for years to come and that demand will linger during the transition to lower carbon energy sources. So, we have a choice: Do we produce the oil the world needs here at home and reap the economic and environmental advantages that come with the lowest carbon-intensive production in the world? Or do we import dirty, foreign barrels from regimes that do not share our environmental stewardship and are often hostile to our interests and values?

b. Offshore US oil and natural gas production contributes significantly to the U.S. Treasury and supports important government programs across the country

From 2004 to 2022, U.S. offshore production contributed over $125 billion to the U.S. Treasury through royalties, lease bonuses, and rents.[9] The Land and Water Conservation Fund (LWCF) is funded almost entirely by offshore oil and gas production and is a predominant source of funding for conservation programs across all fifty states, including programs such as the Outdoor Recreation Legacy Partnership Program, which provides funding to build or repair parks in economically distressed urban neighborhoods. In fact, just last week the Department of Interior announced the distribution of nearly $300 million to all 50 states, U.S. territories, and the District of Columbia to support public outdoor recreation and conservation projects. Moreover, revenues from offshore production are also the single biggest contributor to coastal restoration efforts across the Gulf Coast, having provided over $353 million in disbursements through state revenue-sharing under the Gulf of Mexico Energy Security Act (GOMESA) in Fiscal Year 2023 alone.[10]

c. Oil and natural gas production in the U.S. Gulf of Mexico is strongly supported by local communities, many of which are deemed "Disadvantaged" by the Biden Administration

The U.S. offshore industry also contributes to local communities by creating numerous, high-paying jobs across a vast supply chain that reaches into almost every state in the country. Gulf Coast residents in adjacent states overwhelmingly support offshore oil and natural gas development. Offshore production also does not have fence-line pollution issues, as offshore production is completely out of sight and many miles removed from any shoreline communities. Significantly, many of the tens of thousands of jobs supported by the industry—both directly and indirectly—are located in areas that have been deemed "Disadvantaged Communities" according to a screening tool developed by the White House, meaning that job losses attributable to policies that negatively impact offshore oil and natural gas development will be felt most acutely in areas of the country that can least afford to absorb them.

III. Since Day One, The Biden Administration Has Imperiled Oil and Natural Gas Production in the U.S. Gulf of Mexico

a. Executive Order 14008, Which Paused the Federal Offshore Leasing Program, Had an Immediate Chilling Effect on Investment, and The Absence of a New Five-Year Plan Threatens the Future of the Basin

Despite the clear advantages of maintaining production from the Gulf of Mexico to meet the world's growing demand, the industry continues to face significant regulatory challenges, especially over the last few years. In January 2021, President Biden announced a temporary "pause" on federal lease sales for public lands and federal waters and thereafter began a series of actions that created a chilling effect

[8] *Id.*
[9] *See* Office of Natural Resources Revenue historical data: https://www.onrr.gov/.
[10] *Id.*

on offshore oil and natural gas investment and the capital markets that support the industry.

The suspension on new federal lease sales was temporarily lifted with the passage of the Inflation Reduction Act of 2022 (IRA), which required holding two offshore lease sales included in the Department of Interior's now expired five-year leasing plan. The IRA also ties new offshore wind sales to offshore oil and gas sales. While these provisions in the IRA were important, future offshore lease sales remain uncertain given the fact that the five-year lease plan, which provides the schedule of future lease sales, expired in 2022 and a new five-year leasing plan has not been developed by this Administration despite the statutory requirement to constantly maintain a five-year plan.[11] The delay in the development of a new five-year plan potentially means that we will likely not see a new offshore lease sale until 2025 at the earliest.

The lack of a five-year plan and visible new lease sales will decrease domestic production, increase energy costs for all Americans, and threaten the disadvantaged areas along the Gulf Coast that rely on the high-paying jobs our companies provide. Additionally, the cost of domestic production has already increased because of additional tax burdens imposed by the Biden administration in 2021, which only made dirty, higher-carbon foreign imports more competitive.

b. The Recently Issued Financial Assurance Proposed Rule is Just the Latest Step in the Biden Administration's Attacks on Domestic Production and Is an Existential Threat to Independent Offshore Producers

Compounding the ongoing uncertainty regarding the future of offshore oil and gas lease sales and other policy challenges, on June 29, 2023, the Biden administration issued a Proposed Rule that, if finalized, is an existential threat to independent offshore producers.[12]

The Proposed Rule will disproportionately impact small businesses and, according to the Proposed Rule's own analysis, will cost the industry nearly $5 billion dollars in compliance costs over the next 20 years, leading to dramatically less offshore activity and production. These costs will be borne entirely by small business, as 76% of the businesses operating in the Gulf are considered "small businesses" and the Proposed Rule expressly excludes major oil and gas companies from additional supplemental bonding.[13] The stated purpose of the Proposed Rule is to protect the American taxpayer from exposure to decommissioning liability left behind by a defunct or defaulting lessee, which the Proposed Rule acknowledges is "rare."[14] In fact, based on the Department of Interior's own numbers, in over 70 years of offshore oil and gas activity, the total unfunded liabilities and exposure for U.S. taxpayers amounts to $58 million. To be clear, U.S. taxpayers should never be on the hook for any decommissioning liabilities, and there are a number of policy options available to address this risk without jeopardizing the very viability of independent offshore producers. But proposing a "solution" that will cost small businesses $5 billion in compliance costs to solve a problem amounting to $58 million after seventy plus years of offshore development is ludicrous. Moreover, the overall exposure to the taxpayer is rapidly decreasing. Of the nearly 7,000 platforms installed in the Gulf over time, just over 1,500 remain and the industry is removing the remaining platforms at average rate of 79 platforms each year.

It is well-settled that regulations impose joint and several liability on not only all current owners of offshore properties, but ***all prior*** owners. This system of relying on the creditworthiness of all current owners ***and all*** predecessor owners has proven to be an effective shield for taxpayers for decades.[15] Indeed, there have been a wave of recent bankruptcies in the industry to demonstrate the effectiveness of the current liability regime. The Proposed Rule admits that there have been over 30 bankruptcies with ***unbonded*** decommissioning liability with very little exposure

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[11] *See* 43 U.S.C. §§ 1344.

[12] *See* Fed. Reg. 42136, 42159 (June 29, 2023) (to be codified at 30 CFR Parts 550, 556 and 590) ("BOEM recognizes that the proportion of small companies adversely affected by the proposed rule would be higher than that of large corporations).

[13] 88 Fed. Reg. at 42157.

[14] *Id*. at 42141.

[15] The Proposed Rule admits that considering the creditworthiness of predecessors would reduce the disproportionate impact on small businesses: "BSEE can order the prior lessee to complete the decommissioning obligations for facilities that existed on the lease at the time of ownership. If BOEM were to take into account the financial capacity of predecessor lessees in determining the amount of supplemental financial assurance required of the current owner, the financial burden on small companies would be substantially reduced to that resulting from the proposed rule, because a much smaller number of them would be required to post supplemental financial assurance." 88 Fed. Reg. at 42159.

to the taxpayer due to the existing joint and several liability regime that imposes the decommissioning liability on all current and former owners. Perhaps the best example was the recent bankruptcy of Fieldwood Energy LLC (Fieldwood). According to the government's claims in the case, Fieldwood carried over $7 billion of decommissioning liability and exactly ***zero*** liability was absorbed by the taxpayer. Instead, Interior used its existing regulatory powers to order predecessors to maintain and monitor the abandoned properties and to decommission the wells, platforms and other infrastructure left behind by Fieldwood. In short, the Proposed Rule is the classic case of a solution in search of a problem.

The Proposed Rule admits that in solving for a "rare" problem that the new bonding requirements will materially impact domestic production, competition and energy prices:

> At the same time, BOEM recognizes the costs and disincentives to additional exploration, development, and production that are imposed on lessees and grant holders by increasing the required amounts of bonds and/or other financial assurance.[16]

If this Administration is successful in implementing the Proposed Rule, the consequences are clear: we will see a loss of production from the Gulf of Mexico, forcing the country to turn to less environmentally friendly production from foreign countries, a destruction of jobs throughout the Gulf South and beyond, a decrease in competition in the industry, which will inevitably lead to higher energy prices at home and at the pump, less royalties paid to the government, increased production costs on the few companies able to obtain the additional bonding required by the Proposed Rule, and a weakening of the country's energy security, making the country more vulnerable to price spikes caused by global instability.

IV. Independent Offshore Producers Need Your Help

The Administration's systematic attack on offshore drilling must be reversed if we are to reap the benefits of continued production. The industry stands ready and willing to supply the energy the country needs using hardworking Americans. But we need this Subcommittee's help.

- Interior must quickly complete its environmental reviews and publish a five-year offshore leasing plan; the five-year plan must hold at least two area-wide offshore lease sales each year, and Interior should provide clear guidance and transparency on the timing of the release of the five-year plan
- Congress must pass H.R. 1, "Lower Energy Costs Act", including the BREEZE Act provisions of the bill
- Stop the Biden administration's latest attempt to shut down production in the Gulf of Mexico in the guise of the unnecessary and wildly disproportional Financial Assurance Proposed Rule
- Congress must pass a calibrated, streamlined, and efficient permitting process for new projects

In summary, demand for oil and gas will continue through the energy transition. To support our country's economic, geopolitical, and environmental interests, we must continue to maintain and increase production in the Gulf of Mexico. But to do so, we must end the constant regulatory war on domestic production and reverse the regulatory course of this Administration.

Thank you, again, for the opportunity to testify and I am happy to take any questions.

[16] 88 Fed. Reg. at 42142.

QUESTIONS SUBMITTED FOR THE RECORD TO MR. MIKE MINAROVIC, CEO, ARENA ENERGY

Questions Submitted by Representative Wesley Hunt

Question 1. Mr. Minarovic, how will the Risk Management and Financial Assurance for OCS Lease and Grant Obligations Proposed Rule crush small and independent oil and gas companies like Arena Energy?

Answer. The Risk Management and Financial Assurance for OCS Lease and Grant Obligation Proposed Rule (the "Proposed Rule"), if implemented, would have a devastating effect on Arena Energy and many similarly situated independent oil and gas companies and small businesses operating in the Gulf of Mexico. While not household names, independents were responsible for approximately 35% of the total Outer Continental Shelf oil and natural gas production in 2022.

The Proposed Rule would:

- Result in a decrease of oil and gas production in the Gulf of Mexico
- Destroy high-paying jobs
- Decrease revenue paid to the U.S. Treasury
- Decrease the country's energy and national security at time where geopolitical events are driving up energy costs
- Increase overall emissions due to the fact that the production in the Gulf of Mexico is produced with a substantially lower emissions footprint than oil we would import to replace the drop in Gulf production
- Reduce competition in the offshore oil and gas industry, potentially leading to higher energy prices
- Weaken an already tenuous supply chain that supports the offshore oil and gas industry.

The Proposed Rule would accomplish these devastating consequences by requiring that offshore lessees post an addition $9.2 billion of bonds to cover decommissioning liability at an annual cost of $327 million. Based on our discussions with the international surety market, there is no market for an additional $9.2 billion in bonds. Without the bonds, the Department of Interior would be entitled to deny our operating permit, effectively shutting down our offshore operations. The surety market has absorbed significant losses over the last several years and it is difficult to obtain and maintain the approximately $3 billion of bonds that have been issued to the industry. The Proposed Rule itself admits nearly all these disastrous consequences. The Proposed Rule concluded that the rule would have a "significant effect on the supply, distribution and use of energy" and that the rule may "adversely affect in a material way the productivity, competition, or prices in the energy sector." [1]

While the Proposed Rule acknowledged these far-reaching consequences, the Proposed Rule did not conduct the required cost-benefit analysis of the regulation. The Proposed Rule did not attempt to quantify or weigh these consequences against the benefit of the Proposed Rule. However, a leading business advisory firm, Opportune LLP, recently published a cost-benefit analysis on the Proposed Rule.[2] According to the report, the Proposed Rule, if implemented, would, over a 10-year time frame:

- Result in a decrease in production of approximately 55 million barrels of oil equivalent from the Gulf of Mexico
- Destroy 36,000 high paying jobs from mostly disadvantage areas along the Gulf South
- Remove $573 million in royalties that would otherwise be paid to the U.S. Treasury
- Cause a decline in Gross Domestic Product (GDP), particularly in the Gulf Coast states) of as much as $9.9 billion.

In addition to these more easily quantifiable consequences, the reduced domestic production will threaten the country's energy and national security at a time when we have seen oil and gas used as a geopolitical weapon by Russia. Indeed, Daniel Yergin, the renowned oil and gas analysist, recently pointed out to the Financial Times that "Vladimir Putin is also the CEO of Russia Oil Inc and he understands

[1] 88 Fed. Reg. 42136, 42168.
[2] The Report is attached hereto as Exhibit A.

the dynamics of the market very well."[3] The same article noted that market watchers are also concerned that Russia could chose to weaponize its oil exports next year to try to influence the U.S. election. The decrease in domestic production will make the country more vulnerable to extreme price spikes based on geopolitical events, especially with the Strategic Petroleum Reserve depleted.

As I noted in my oral and written testimony, oil demand will continue to rise for decades to come. The shortfall of production from the Gulf of Mexico will have to be imported from countries like Iran or Venezuela, countries who have proven to be unreliable energy partners.

In short, BOEM's rule relies entirely on the surety industry as a "solution" to a massively overstated problem—i.e., taxpayer exposure to these liabilities—and the surety market has responded that BOEM's "solution" will not work. Proposing a rule with a solution that is irrational and unworkable—and unjustifiably harms small business—is not in the best interests of the government, the industry, or taxpayers.

Question 2. Mr. Minarovic, I know there has been some discussion previously about offshore bankruptcies as a justification for BOEM's new financial assurance requirements. Has the taxpayer had any exposure to those recent bankruptcies?

Answer. As noted in the Proposed Rule, since 2009, there have been more than 30 bankruptcies in the offshore oil and gas industry. However, the taxpayer has borne only a small fraction of the decommissioning liability. We understand that, through response to written questions made by this Subcommittee, the Bureau of Ocean Energy Management (BOEM) has stated that a total of $58 million of liability has been absorbed by the taxpayer. While the taxpayer should not be responsible for any decommissioning liability, this is an infinitesimal amount of liability given the 75 history of offshore production and in light of the hundreds of billions of dollars paid to the U.S. Treasury in the form of royalties, bonuses and rentals.

The Proposed Rule admits that the instances when liability falls to the taxpayer are "rare".[4] And the Proposed Rule explains this apparent paradox of there being a large number of bankruptcies in the industry with little liability going to the taxpayer by pointing to the fact that all current lessee and all former lessee are jointly and severally liable to perform and pay for the decommissioning that accrued during either before or during their ownership.[5] The joint and several liability regime has been around since the enactment of the Outer Continental Shelf Lands Act in 1953. The regime has effectively shielded taxpayers from decommissioning liability for decades.

A recent bankruptcy is perhaps the best example of how the taxpayer is protected under the joint and several liability framework. In 2020, the industry experienced the largest bankruptcy in the history of the offshore oil and gas industry when Fieldwood Energy filed for bankruptcy. According to the claims filed by the government in the case, Fieldwood had over $7 billion in decommissioning liability. Relying on the joint and several liability regime, the government issued decommissioning orders to all current co-owners and predecessors and the predecessors are currently rapidly performing the decommissioning of the properties abandoned by Fieldwood in the bankruptcy. The taxpayer absorbed no liability in the case.

Despite the resounding success of the joint and several liability regime in protecting the taxpayer, the Proposed Rule ignores the fact that there may be creditworthy predecessors in the chain of title in determining whether the current owner will be required to post supplemental bonds. Just a few years ago, in 2020, BOEM and its sister agency, the Bureau of Safety and Enforcement, introduced a proposed rule that concluded that supplemental bonding would not be required if there was at least one creditworthy predecessor or co-owner.[6] Supplemental bonding would be required by the 2020 rule if there was not a creditworthy co-owner or predecessor. While the 2020 proposed rule was never finalized, the rule would have achieved the simultaneous goals of protecting the taxpayer from exposure to decommissioning liability while, at the same time, not cause the deleterious impacts that will ensue if this Proposed Rule is finalized without significant changes.

Instead of protecting major oil and gas companies by ignoring security already in place and re-trading private, commercial transactions between buyers and sellers, any bonding framework must recognize the joint and several liability of all current

[3] *Rising Petrol Prices Spark New Concern in Washington*, The Financial Times, August 5, 2023.
[4] 88 Fed. Reg. at 42141.
[5] *Id.*
[6] See 85 Fed. Reg. 65904 (October 16, 2020).

and former owners for decommissioning as a fundamental and grounding principle, which would be consistent with BOEM's actual practice and the stated intent of the Proposed Rule to protect taxpayers from exposure to these liabilities.

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EXHIBIT A

A Cost-Benefit Analysis of Increased OCS Bonding, by Opportune, July 2023

The Exhibit can be viewed on the Committee Repository at:

https://docs.house.gov/meetings/II/II06/20230727/116214/HHRG-118-II06-20230727-SD005.pdf

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Mr. STAUBER. Thank you very much. I will now recognize Mr. Solet for 5 minutes.

STATEMENT OF JUSTIN SOLET, GULF SOUTH ADVOCATE, DULAC, LOUISIANA

Mr. SOLET. Thank you, Chairman Stauber, Representative Ocasio-Cortez. Halito, bonjour, bienvenue. I am Justin Solet, a citizen of the United Houma Nation.

I was born in the town of Dulac, Louisiana, where I grew up in a family of fishermen and fisherwomen. My mother worked in a shrimp processing factory while my father ran my grandfather's shrimp boat. My dad also shucked oysters alongside my grandmother between shrimp seasons. Commercial fishing earned my parents a modest living, which they used to raise three boys.

As the eldest of those three boys, when I was old enough to get on the boat, around seven or eight, I worked with my dad as a deckhand until I eventually went to work in the Gulf of Mexico as a snubbing hand on oil rigs. I shrimped until the last night of my graduation, until the night before graduation. On my days off from the rig, I still helped my dad on the boat. Shrimping was not just a job. It was a way of life, not only for my family, but our culture and our community.

On April 20, 2010, an explosion aboard the Deepwater Horizon rig in the Gulf of Mexico held everyone in disbelief as we found out it took the lives of 11 men. In the coming days and weeks, we would learn 5 million barrels of oil spilled in the Gulf. It took 9,700 vessels, 127 aircraft, 47,829 people, and nearly 2 million gallons of toxic dispersants called Corexit, and 89 days to stop the spill. Three thousand miles of beaches and wetlands along the Gulf Coast were contaminated by oil. Even the clean-up effort was damaging to the wetlands and vegetation. Our lives were turned upside down with fear, questions, and a future full of unknowns.

BP was a highly visible and catastrophic disaster that received national attention. My people in south Louisiana feel the impacts from the oil and gas industry on a daily basis, and are mostly ignored. You have probably heard about BP and Cancer Alley, but have you heard about these?

Since 2004, undersea wells owned by Taylor Energy have been leaking in the Gulf of Mexico after they were damaged by Hurricane Ivan. It is the longest-running oil spill in U.S. history, and shows why building this stuff in the path of an active hurricane zone is crazy.

Two incidents in 2015 and 2018 at a Fieldwood Energy facility in Louisiana, two workers intentionally allowed oil to spill in order to avoid requirement shutdowns that would have hurt company profits. Workers on one of these company platforms are reported to have joked that their motto was "safe and sound until production is down."

Putting profits over safety is incredibly common in this industry. The pipelines needed to transport the oil and gas extracted in the Gulf of Mexico come onshore, where they tear through the marsh, one of our most important forms of hurricane defense. That is why Hurricane Ida remained so strong even after it made landfall. Ida then caused thousands of chemical releases and spills that made a horrible situation even worse.

The oil and gas pipelines don't just cause land loss. They also compete with offshore wind. You can't lay transmission lines near oil pipelines for good reason. Disturbing them could cause yet another oil spill. This means that even though people in my community are ready to go to work in offshore wind industry, the jobs won't be coming to southeast Louisiana until we clean up our mess.

Tribal lands in my community are being sacrificed to oil and gas. Hurricanes are destroying our precious wetlands, which have been weakened by dredging for pipelines. Between the destruction of our land from oil and gas and these storms, some of my people have become the first climate migrants in the continental United States.

This cannot continue. We must get our nation's energy from justly-sourced materials and renewable energy. What we are fighting for is the right for people of Louisiana to remain in their homes, have clean air to breathe, and clean water to drink.

The leadership of this Committee and the oil and gas companies have decided Louisianans, especially poor Black and Indigenous folks, don't deserve that. It is nuts that we are talking about reinvesting in fossil fuels while wealthier areas are already putting their money in wind and solar so they can make clean energy, create jobs, and keep their people safe.

Unless you live in or around communities like mine that are continuously sacrificed for the benefit of a few jobs which aren't held by the people who are impacted, you have no clue. The generational scars that have been left on my people, the land, and the waters we hold sacred in the name of industry are still painful today.

Climate resilience is my community's ability to continue living and working on the land and waters that we have called home for hundreds of years. Because of many factors which include land loss at the hands of oil and gas cutting through protective marshes, under-investment in bayou communities, and hurricanes, Indigenous peoples in Terrebonne and Lafourche have become some of the first climate migrants again.

When can our communities begin to thrive instead of always being resilient?

[The prepared statement of Mr. Solet follows:]

PREPARED STATEMENT OF JUSTIN SOLET

Halito, bon joure, bienvenue, I'm Justin Solet, a member of the United Houma Nation. I was born in the town of Dulac, Louisiana where I grew up in a family of fishermen and fisherwomen. My mother worked in the shrimp processing factory while my father ran my grandfather's shrimp boat. My father also shucked oysters alongside my grandmother between shrimp seasons. Commercial fishing earned my parents a modest living which they used to raise three boys. As the eldest of the three children, when I was old enough to get on the boat—around 7 or 8—I worked with my dad as a deckhand until I eventually went to work in the Gulf of Mexico as a snubbing hand on oil rigs. On my days off from the rig, I still helped my dad on the boat. Shrimping was not just a job, it was a way of life, not only for my family but our culture and our community.

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BP was a highly visible and catastrophic disaster that received national attention, but my people in South Louisiana feel the impacts from the oil and gas industry on a daily basis and are mostly ignored. You have probably heard about BP and Cancer Alley, but have you heard about these:

- Since 2004, undersea wells owned by Taylor Energy have been leaking into the Gulf of Mexico after they were damaged by Hurricane Ivan. It's the longest-running oil spill in U.S. history and shows why building this stuff in the path of an active hurricane zone is crazy.
- In two incidents in 2015 and 2018 at a Fieldwood Energy facility in Louisiana, two workers intentionally allowed oil to spill in order to avoid required shutdowns that would have hurt company profits. Workers on one of the company's platforms are reported to have joked that their motto was "safe and sound until production's down." Putting profits over safety is incredibly common in this industry.

The pipelines needed to transport the oil and gas extracted in the Gulf of Mexico come on shore where they tear through the marsh, one of our most important forms of hurricane defense. That's why Hurricane Ida remained so strong even after it made "landfall." Ida then caused thousands of chemical releases and spills that made a horrible situation even worse.

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Tribal lands in my community are being sacrificed to oil and gas. Hurricanes are destroying our precious wetlands which have been weakened by dredging for pipelines. Between the destruction of our land from oil and gas and these storms, some of our people have become Climate Migrants. This cannot continue, we must get our nation's energy from justly sourced materials and renewable energy.

What we're fighting for is the right of the people of Louisiana to remain in their homes and have clean air to breathe and clean water to drink. The leadership of this committee and the oil and gas companies have decided Lousianans—especially poor, black and Indigenous folks—don't deserve that. It's nuts that we're talking about reinvesting in fossil fuels while wealthier areas are already putting their money in wind so they can make clean energy, create jobs, and keep their people safe.

Unless you live in or around communities like mine that are continually sacrificed for the benefit of a few jobs, which aren't held by the people who are impacted, you have no clue. The generational scars that have been left on my people, the land, and the waters we hold sacred in the name of industry are still painful today. Climate resilience is my community's ability to continue living and working on the land and waters that we have called home for hundreds of years. Because of many factors which include, land loss at the hands of oil and gas cutting through our protective marsh, underinvestment in Bayou communities, and hurricanes, Indigenous peoples in Terrebonne and Lafource have become some of the first climate migrants. When can our communities begin to thrive, instead of always being resilient?

QUESTIONS SUBMITTED FOR THE RECORD TO MR. JUSTIN SOLET, GULF SOUTH ADVOCATE

Questions Submitted by Representative Grijalva

Question 1. The Federal Government provides $20.5 billion per year in subsidies to the oil and gas industry, including direct subsidies and indirect subsidies such as tax breaks and below-market lease and royalty rates. According to the International Monetary Fund, the U.S. spends $649 billion dollars a year on fossil fuel subsidies when the externalized costs of fossil fuel production are accounted for, including the health, environmental, and climate costs. Could you please elaborate on what these external costs look like for your community? How are they experienced by Gulf communities?

Answer. A recent peer-reviewed study identifies the public health harms as well as the disproportionate impacts on communities at each stage of the coal, oil, and gas life cycles—extraction, processing, transport, and combustion. It was authored by experts from Greenpeace USA, Salem State University, and Taproot Earth and published in Energy Research & Social Science:

https://www.sciencedirect.com/science/article/pii/S2214629623001640

The publication draws from 200+ academic studies which reveal a consistent pattern: fossil fuel pollution is associated with asthma, birth complications, cancer, respiratory disease, heart conditions, and premature mortality. Black, Brown, Indigenous, and poor communities bear a disproportionate burden of these harms. These same communities are hit hardest by the impacts of the climate crisis.

Additionally, the study concludes that policies solely focused on reducing greenhouse gas emissions without reducing fossil fuel usage could fail to reduce local air and water pollution, fail to alleviate public health harms, and end up perpetuating the racially inequitable impacts of the fossil fuel economy. Black, Asian, Hispanic or Latino, and low-income populations already have an elevated burden of exposure to air pollutants that can harm the respiratory system known as PM2.5, a pattern that is consistent across nearly all emission source types. Poorly designed climate policies could concentrate this pollution in community "hotspots" even as overall carbon emissions decline.

Question 2. Could you please elaborate on the unique challenges and barriers Tribal nations face in participating in decision making around offshore development? Do Tribal nations receive the same benefits as state and local governments from offshore development?

Answer. This article details the challenges that the United Houma Nation has faced in receiving the same benefits and local governments from offshore development:

http://america.aljazeera.com/articles/2015/1/5/louisiana-wetlandsenvironment climatechange.html

In short, tribes—especially state-recognized tribes like mine—do not receive the same tax benefits of offshore development. We often do not receive the jobs. As Mr. Danos said during the hearing, oftentimes people are coming in from out of state for offshore jobs. We don't receive the same amount of clean up and remediation money. And our land and way of life is being taken away by the offshore oil and gas industry.

Question 3. Were there any other issues or questions that you were not able to fully address or respond to during the hearing? If so, please elaborate here.

Answer.

- The delay of leasing is not causing job losses in the Gulf of Mexico. There are 1,600 existing offshore leases.
- Why is it important not to link offshore wind to offshore oil?
  - I would like to reiterate that offshore oil and gas and offshore CCS are incompatible with offshore wind development because of the conflicts between pipelines and transmission cables. Unless we stop permitting new pipelines in the ocean floor, my community will continue to be stuck with

dirty energy while the rest of the country moves on and takes advantage of the jobs in the new offshore wind economy. Please see this comment letter for more information:

https://docs.google.com/document/d/1-c4P44xVeRNgS-CDb-fnNqjX1Bg_ZwrPU_04VV2pZt4/edit

  - We recommend that House Natural Resources read and adopt the "Principles For A Just Transition In Offshore Wind Energy:"

    https://taproot.earth/wp-content/uploads/2023/03/JustTransition-OffshoreWindEnergy_v2.pdf

- To expand my answer about the impact of fossil fuel lobbyists on the state of Louisiana, Air Products—an out of state company—hired lobbyists who were past representatives of Louisiana to thwart the will of the people, who were pushing for carbon capture regulation and moratoria. Air Products hired 25 lobbyists for the 2023 session alone:

  https://www.wwno.org/coastal-desk/2023-04-13/this-company-has-hired-25-lobbyists-for-the-louisiana-legislative-session.

  - Recently the Louisiana attorney general hired lawyers for EPA negotiations who were also representing chemical firm at center of inquiry.

    https://www.theguardian.com/us-news/2023/aug/10/cancer-alley-louisiana-attorney-general-epa-lawyers-formosa

  - Louisiana Sen. Sharon Hewitt has history of passing bills to benefit oil and gas and her husband, who works for the oil and gas industry.

- To expand on my answer about who holds the power when it comes to people or the oil and gas industry, representatives of Louisiana has for decades been the rubber stamp to projects that endanger the lives of their constituents.

- To expand my answer about which technologies and expertise the Global South should have access to, I'm referring specifically to wind, solar, and green technologies.

  - Global North should be funding Global South countries to transition to justly renewable energy, as well as providing Loss and Damage financing for nations that are unable to adapt to the climate crisis. The United States is the world's largest historic emitter of greenhouse gasses. We have a debt to pay.

Mr. STAUBER. Thank you very much for your testimony. I will now recognize Members for 5 minutes of questions, and I recognize myself for 5 minutes.

Mr. Danos, how does the delay in issuing the 5-year plan for offshore oil and natural gas leasing impact companies like yours and the affordability and availability of energy for American taxpayers and consumers?

Mr. DANOS. Thank you for the question. The delay, as stated, eventually will create a situation where we don't have leases to work on, we don't have wells to drill and develop, and we won't have production. So, that costs jobs.

Again, companies like Danos and many other companies out there provide personnel that support those activities. And when we have delays, I talked about a long conveyor belt. That conveyor belt, for some of the really big projects, can be 6 or 7 years, but there are projects out there with tie backs to existing infrastructure that can come on as quickly as 18 months. So, we are already in a time now with the delays that we have experienced that is costing jobs and, again, costing production that is being sent overseas and increasing energy prices.

Mr. STAUBER. Thank you.

Mr. Minarovic, in your written testimony you discuss the environmental advantages we gain from producing oil and gas in the Gulf of Mexico. In fact, you note that oil produced in the Gulf of Mexico has a carbon intensity 46 percent lower than Russia, China, Brazil, Iran, Iraq, or Nigeria. Can you share with the Subcommittee why oil from the Gulf of Mexico has this environmental advantage?

And how is American oil from the Gulf of Mexico cleaner than other sources around the world?

Mr. MINAROVIC. Yes, sir. Thank you, Chairman. That is an important point.

There is not anything special about the oil. It is the way we produce it. We produce it into high volume, into centralized platforms where we can monitor the emissions very closely. We are highly regulated. This year is the 75th anniversary of setting the first platform in the Gulf of Mexico. We have been regulated by the Federal Government for 75 years.

My company, we get 200 inspections a year where inspectors come out from the BOEM and BSEE and spend about 4 days offshore on each inspection for each of our facilities. We monitor emissions closely, and we don't do any flaring, or very little flaring and venting offshore. And then that oil is processed at that central facility. It is immediately sent down a pipeline. It is not barged at a truck, it is not exposed to atmospheric pressures at any time. It is under pressure the whole time offshore, so we know if there is a leak, and we monitor very quickly. We have vapor recovery units offshore that collect any gas at low pressure and put it back into the system. And there are a lot of different high technology systems that we use on our biggest platforms that monitor emissions.

There is no question that this is the best environmentally advantaged barrel of oil in the world.

Mr. STAUBER. And then you employ an average of 650 full-time contractors and subs. How does the company navigate workforce management in a market with potential fluctuations in offshore drilling opportunities?

And how do uncertainties in the leasing program influence your long-term planning for workforce needs?

Mr. MINAROVIC. Yes, that is a great question, and Congresswoman Ocasio-Cortez pointed to the boom-and-bust cycle of our industry and the layoffs that have occurred. And it is just basically, we are price takers, and we have to respond to the price.

So, if price goes down for a period of time, we have excess workers, and it makes it incredibly challenging to man a rig, or man a facility, or man a crew to do abandonment work if they can't get full-time, full-year work. And the lack of leases ultimately will result in the lack of stability of us being able to drill, and that is what causes problems with workforce. And eventually people say, well, I can only get 6 months of work, so I am just not going to work in this industry anymore.

And it used to be we could pick up a crew of 80 people to work on a rig pretty easily. But that is not the case anymore. And you have to continually work that rig, and that is why leases are important.

Mr. STAUBER. If the Biden administration does not move forward with offshore oil and gas lease sales in 2024, what kind of impact might that have on the future of your workforce?

Mr. MINAROVIC. Yes, lease sales are the future for production in the Gulf of Mexico. And it takes a long time to develop a lease. Our reserves are depleting. Every single day we are fighting depletion of our reserves. You bring on a well and it is making a certain amount of oil. It begins depleting very quickly, so you have to continually renew your inventory. And the source of that is leases.

So, it won't have an immediate impact in 2023 or 2024, but soon after that we will start seeing decreases in workforce.

Mr. STAUBER. Thank you very much. My time has expired, and I will now turn it over to Ranking Member Ocasio-Cortez for her questions.

Ms. OCASIO-CORTEZ. Thank you, Chair Stauber.

Mr. Solet, we often hear private interests cite job benefits of the oil and gas industry. But from your testimony and from that of many communities, we know that extractive industries often force communities to make the choice between their work and their health, and long-term economic stability, as well. One of my highest priorities is to work with communities like yours to make sure that it is not a choice that people have to make anymore.

How, in your view, would offshore wind provide opportunities for a more diversified economy in the Gulf?

Mr. SOLET. For one, we would create jobs cleaning up the 8,000 miles of pipeline that lie off the coast of Louisiana.

Oil and gas workforce is also prepared to take on offshore jobs in manufacturing. We already have the knowledge and experience here in the Gulf to do the jobs that it takes to bring in renewables. We have pipeline hands to build windmills. We have pipeline hands to remove the pipelines that are there.

Who else knows our waters like our boat captains and our deckhands?

And one of the best ways to take full advantage of offshore development would be the full or partial community ownership. This is already modeled, and has already been established overseas with CBAs.

Ms. OCASIO-CORTEZ. Thank you. And I also understand why many Gulf communities may hesitate when a new industry comes in to develop. What can offshore wind learn from some of the mistakes of the fossil fuel industry?

And why is it important for Gulf communities that offshore wind is not linked to oil production?

Mr. SOLET. Offshore wind should not just learn from the mistakes of the oil field, but the good that comes from the health industry by adopting the promise of do no harm before they do good.

Oil field came in, they used my people to dredge pipeline canals. And then, when the pipeline canals were dug, my people were forgotten, and the jobs dried up because they had what they wanted.

By linking oil and gas to wind, you create a distrust in wind because coastal communities remember how industry stole the land, destroyed it, and the water. Groups have highlighted that

Gulf communities cannot continue to be a sacrifice zone with oil and gas and wind. We just don't need a real transition, we need a just transition.

Ms. OCASIO-CORTEZ. Thank you, Mr. Solet. Some of the earlier testimony that we saw today also referred, and I am glad to hear that there was agreement on this, that the public should not bear the costs of decommissioning. But the last I checked, BOEM held only $3.5 billion in decommissioning financial assurance and bonding for debts that were actually between $42 and $64 billion in total future decommissioning debts. And as much as 94 percent of clean-up costs are currently not financially assured by oil and gas producers.

Mr. Minarovic, you mentioned your company had about $239 million in royalties and taxes. That was last year, correct?

Mr. MINAROVIC. Yes, ma'am.

Ms. OCASIO-CORTEZ. How much of that was royalties?

Mr. MINAROVIC. It was about $200 million.

Ms. OCASIO-CORTEZ. Two hundred? So, $39 million was taxes?

Mr. MINAROVIC. About that, yes, ma'am.

Ms. OCASIO-CORTEZ. How much did your company receive in direct Federal fossil fuel subsidies?

Mr. MINAROVIC. None.

Ms. OCASIO-CORTEZ. No money in Federal subsidies, correct?

Mr. MINAROVIC. Right.

Ms. OCASIO-CORTEZ. And how much was posted in profit?

Mr. MINAROVIC. We are a private company. I am not going to reveal that.

Ms. OCASIO-CORTEZ. So, we are not sure the share of that $39 million relative to the profit that was made. OK, understood.

The latest bankruptcy from Cox, a Louisiana oil company, is also yet another potential billion-dollar tab pushed to the American people. The Department of the Interior has an obligation to the American people to ensure that it receives a fair return on its shared resources, and not shouldered with the legal obligations of private corporations that profited significantly from those public resources.

Mr. Solet, what risks do under-bonded offshore operators pose to the community?

And as we have heard, the industry can be quite volatile, and even seemingly healthy companies can go through bankruptcy.

Mr. SOLET. Communities are left with abandoned infrastructure, and which can lead to pollution and no funds to clean up. Communities are left with abandoned infrastructure, which can lead to pollution and no funds to clean it up.

Ms. OCASIO-CORTEZ. Thank you. And with that, my time is up. I yield back to the Chair.

Mr. LAMBORN [presiding]. Thank you. I will now recognize myself for 5 minutes, and then we will continue as we go.

In 2020, President Biden said, "I want you to look at my eyes. I guarantee you, I guarantee you, we are going to end fossil fuel." He has regrettably kept this promise. By canceling lease sales, trying to raise royalty and bond rates, and massively subsidizing unreliable alternative energy sources, the Federal Government has waged war on the free market and tried everything they can to end fossil fuel usage.

Despite this monumental and unprecedented government overreach, energy derived from fossil fuels has only fallen from 86 percent in 2000 to 84 percent today. That is a 2 percent drop in 23 years. In other words, this war against fossil fuels has done nothing to curb American's need for affordable and reliable energy.

So, Mr. Danos, what will happen to the price of energy if there are no offshore lease sales until 2025?

Mr. DANOS. As you pointed out, demand is not going anywhere. We can't flip a switch and move to renewables immediately. We are going to have a long-term and need a long-term transition. So, that is going to increase prices, right?

The predictability that comes with leases allows investment. That investment is going to lead to production, and this is low-cost, reliable energy, environmentally responsible, the lowest, cleanest barrels in the world right here in the Gulf of Mexico, in the United States. And that is going to keep energy prices down.

Mr. LAMBORN. Thank you. Higher energy prices hurt working families, which is so ironic when I hear the other side profess to sympathize with the struggles of working families. Their stated goal is to artificially raise prices in order to wean us off of fossil fuels, no matter how much that hurts working families.

Mr. Minarovic, I hope I said that right, how does private industry respond with regard to investment and exploration when the government refuses to hold lease sales?

And, of course, that includes offshore leasing, which is the subject of our hearing this morning, as well as onshore leasing, which affects and hurts my state of Colorado.

Mr. MINAROVIC. Yes, the leasing issue is, as I mentioned earlier, a longer-term issue. It is not going to affect activity and prices in 2024. It is more of a longer-term issue.

But all these issues chill the offshore industry, chill investment into that industry, chill desire to want to work there because of the uncertainty. Businesses want to work in a certain environment.

And your point about energy prices being low, we have to have production to meet the demand. If we are going to transition away from oil, we have to have a healthy economy, we have to have low energy prices. That is what will allow us to transition. If prices go up, as we saw in 2022, we start doing things like releasing from the strategic reserve, which we can't do any longer. And, ultimately, we will have impairments to our economy, which will slow the transition.

So, lease sales are important. They are on a longer-term basis. It allows us to continue to offset those declines that I mentioned earlier.

Mr. LAMBORN. OK, thank you. We know now that renewables cannot make up for fossil fuels. Wind and solar only make up 11 percent of our nation's electricity, and electricity is only 38 percent of the total energy consumption as a nation.

Mr. Danos or Mr. Minarovic, knowing that renewables cannot substitute for fossil fuels, at least in the foreseeable future, how will the deficit of energy be met if the United States stops producing oil and gas, which some of our people, colleagues on the other side, want to do?

Mr. DANOS. That is pretty simple. It is going to come from other countries around the world, right? So, we are trading those barrels again for barrels produced in other countries around the world. We are giving up our energy security when we are doing that, we are giving up the cleanest barrels in the world, lowest carbon intensity barrels for an exchange for barrels produced elsewhere.

Mr. MINAROVIC. Yes, I would just like to add that I think that some oil can come from other countries. But as we try to meet these demand forecasts that EIA is suggesting, and also IEA and a lot of other organizations project the similar increases in demand, ultimately there will be a rationalization of price, and we will have higher prices, which was mentioned earlier, will impact the lower- and middle-income families of America the most.

Higher energy prices is a regressive tax on middle and lower-income families.

Mr. LAMBORN. And I am going to make an editorial comment and then hand it back to the Chairman, who has returned to the room here. I don't mind seeing the government incentivize alternatives, and renewables, and things like that. But when they go further and mandate that we can't use certain kinds of fuels that are traditionally part of our energy mix, to me that crosses the line and becomes manipulation and interference, and trying to control and run our lives.

And as a freedom-loving American, and as someone who respects the free market, I just think that that is going too far. And I wish that that wasn't part of the mix.

Mr. Chairman, back to you.

Mr. STAUBER [presiding]. The Chair now recognizes Representative Kamlager-Dove for 5 minutes.

Ms. KAMLAGER-DOVE. Thank you, Mr. Chair.

I was sort of struck by some of the opening comments and testimony suggesting that the Biden administration has threatened economic prosperity when news has just come out today confirming how healthy the U.S. economy is. Consumer sentiment is up, annual growth is up, business investment is up. So, that is why reading is fundamental.

Over the last 10 years, American export of crude oil and other petroleum products has increased by nearly 400 percent and natural gas exports by over 500 percent. At the same time, our constituents rode the roller coaster of gas prices.

My colleagues across the aisle say we need to maintain or expand our energy dominance, but the communities in my district and across the country aren't feeling the benefits of such dominance. Last year, we experienced the largest annual increase in residential electricity spending since the EIA began calculating it in 1984.

So, Mr. Solet, as a community member where this abundant energy is from, who do you believe benefits more from this energy dominance, the oil companies or the American people?

Mr. SOLET. The oil companies, the shareholders. And just an example, I have never seen Louisiana hire lobbyists to do good in Louisiana.

Ms. KAMLAGER-DOVE. Can you say that again?

Mr. SOLET. I have never seen Louisiana hire lobbyists to do good in Louisiana.

Ms. KAMLAGER-DOVE. That is telling. Thank you for saying that.

What barriers, Mr. Solet, do communities like yours come up against when trying to engage with the Federal Government on offshore projects?

And do you believe that your concerns have historically been heard by the Federal Government as we consider new offshore oil and gas lease sales?

Mr. SOLET. The sway of power in the oil and gas industry is held by the representatives who represent Louisiana, and the lobbyists and the industry that actually control the power. Our voices are not heard.

And one of the big reasons our tribal voices aren't heard is because we have been held to only a state-recognized tribe. I feel, and this is my personal opinion, that industry doesn't want us federally-recognized because then we would actually have a seat at the table.

Ms. KAMLAGER-DOVE. Thank you for that.

The infrastructure footprint of the oil and gas industry in the Gulf of Mexico is massive. There are about 1,800 offshore platforms and about 26,000 miles of pipeline in the Gulf, more than enough to circle the Earth. And there is almost no oversight of any of these pipelines to make sure that they aren't causing oil spills or moving around and posing a danger to shipping or fishing vessels.

The oil industry has had its chance for decades to pollute our ocean. We now have a chance to develop clean, renewable, offshore wind energy, and build a better future with good-paying jobs and affordable energy. But every offshore drilling lease we sell to an oil company means an area that we can't develop offshore wind.

The Biden administration is on track to exceed its goal of developing 30 gigawatts of offshore wind by 2030, which is enough energy to power 10 million homes and support tens of thousands of jobs. In the meantime, oil jobs in Louisiana and other offshore drilling states are declining.

So, Mr. Chiasson, do you agree that investing in offshore wind energy will strengthen our energy security, create many new jobs, and fuel our future for renewable energy?

Mr. CHIASSON. Thank you, ma'am. I have no doubt that moving to that energy addition will create new jobs. We have the expertise in the Gulf. We have the captains who can run boats. We have the engineers who have built many of these oil and gas platforms.

But I don't see how putting a wind platform next to an existing oil and gas jacket hurts anything. As a member of the BOEM Governmental Task Force, we have asked over and over again to use those existing pipeline corridors to cut down on the environmental impact of what those offshore wind platforms could have so we are not cutting new pipeline corridors for energy transmission back onto shore. It is things like that, the common-sense approaches that we know how to do in southeast Louisiana that we have tried to bring to the table.

Ms. KAMLAGER-DOVE. Thank you. So, it sounds like you have the expertise, you have the human capital, and you have the energy.

You just need the common sense of this Congress to help you get some of that done.

Thank you, Mr. Chair. I yield back.

Mr. STAUBER. Thank you very much. The Chair now recognizes Mr. Tiffany from Wisconsin.

Mr. TIFFANY. Thank you, Mr. Chairman.

Mr. Solet, I believe you commented that you want to see things justly sourced. Isn't that correct?

Mr. SOLET. Yes.

Mr. TIFFANY. And would that include wind and solar, like solar arrays, wind turbines? Do you expect those to be justly sourced?

Mr. SOLET. Yes.

Mr. TIFFANY. Materials that we are seeing for some of those items like wind turbines, solar panels are coming from communist China using child labor in the Congo. Do you believe that is justly sourced?

Mr. SOLET. No, sir.

Mr. TIFFANY. So, if in the United States of America we can produce those minerals and not use child labor, that we can do it in a way that is justly sourced, do you believe we should produce those minerals here in America, rather than those countries that don't?

Mr. SOLET. Yes, I think we should.

Mr. TIFFANY. OK. Because the Chairman of this Subcommittee has an abundance of it that we could produce right here in America to be able to produce those wind and solar panels.

Mr. Minarovic, did I hear you take no subsidies?

Mr. MINAROVIC. Yes, that is correct.

Mr. TIFFANY. No subsidies.

Mr. MINAROVIC. That is correct.

Mr. TIFFANY. The statement was made that safe and sound until production goes down. Does your company live by that ethic?

Mr. MINAROVIC. No, sir. Absolutely not. And the regulators should take care of companies that aren't performing properly, I agree with Mr. Solet. And our company has operated at the highest standards for 24 years, both environmentally and from a safety perspective. And the regulators should get rid of companies like that.

Mr. TIFFANY. Mr. Danos, I take it you work for companies including some of the big companies. Has your company lived by the ethos of safe and sound until production goes down?

Mr. DANOS. No, sir. We spend a lot of time, effort, and energy in protecting our people. Last year, our total recordable incident rate was 0.13. We are really proud of that record of protecting our people. And we have seen that continue to go down over the years. And it has been in partnership, really, with companies like Mr. Minarovic's, as well as major oil and gas companies that we have learned from each other and invested in safety and keeping our people safe.

Mr. TIFFANY. Mr. Chiasson, based on the opening remarks that we heard from the Ranking Member, it sounds like Louisiana is going to pieces. Is that the case in Lafourche Parish?

Mr. CHIASSON. No, sir. We have a very robust economy. We have managed to carry about a $100 million budget for 100,000 residents for almost the past 20 years. We work day in and day out with companies like Danos, who are homegrown companies, right? Mr. Danos grew up in Lafourche Parish, and his family still lives there.

We work with these companies day in and day out, and have tasked ourselves over and over again to protect ourselves from things like hurricanes. And we work with the industry to help rebuild millions of acres of our coastal wetlands every day.

Mr. TIFFANY. Is the quality of life going down in your parish or the neighboring parishes also? Is it going down?

Mr. CHIASSON. No. We like to coin ourselves as the parish people like to live, work, and play.

Mr. TIFFANY. Mr. Danos, am I hearing correctly from you that there are fewer permits that are being offered at this point that the NEPA process is not being instituted, or it is not being implemented on a number of these projects. Is that correct?

Mr. DANOS. There have been significant delays in and extension of the time that it takes to get the NEPA permitting done. And that is a big concern when it comes to the 5-year leasing, because we have to get the 5-year plan that we don't have in place. Then we have to go through the NEPA process. So, we are looking again at extending that gap of time period where we aren't having lease sales.

Mr. TIFFANY. If you look at the memo that we received here today, Mr. Chairman, Secretary Haaland said, in answer to Chairman Joe Manchin of the Senate Energy Committee, "Yes, Chairman, of course we are going to comply with the IRA as written." The IRA said that we are going to do both wind and solar, as well as oil and gas.

I was in the Judiciary Committee yesterday with Secretary Mayorkas. I hope this isn't a case of another cabinet secretary who, at a minimum, is misleading, perhaps lying to the American people. This is getting pretty frustrating to watch this Administration operate at this point when they won't tell us in Congress or the American people the truth.

I am going to close by saying this. People are purporting to do the green fantasy here. We had people that told us global cooling is going to end the world in 1975. The eminent scientist Paul Ehrlich said that millions of people are going to die by the year 2000. Now, we hear it is global warming is going to be the end of the Earth. It is time to put to rest this green fantasy stuff, and allow the American people to lead a life of prosperity.

I yield back.

Mr. STAUBER. Thank you, Mr. Tiffany. The Chair now recognizes Mr. Magaziner for 5 minutes.

Mr. MAGAZINER. Thank you, Chairman.

In my home state of Rhode Island, we are on the front lines of climate change. We know it is real. We know that it is impacting working people every day. There are literally entire neighborhoods in Rhode Island that are being wiped off the map because of rising sea levels. The Narragansett Bay in Rhode Island has risen more than 6 inches in the last 30 years. And, of course, this year is on pace to be, by far, the warmest on record.

It is hurting our commercial fishing industry, as well. We have a big commercial fishing industry in my district in Rhode Island, just as many of you have in the Gulf. And warming waters and changing migration patterns are having a real impact on the men and women who work in that industry, as well.

On the flip side, we know in Rhode Island that a transition to responsible, clean energy is possible and can save consumers money. We know it because we are leading the way in Rhode Island on offshore wind. My district has the first operational offshore wind farm in North America off the coast of Block Island. We are eagerly anticipating the expansion of offshore wind in Rhode Island, and we believe that a majority of our state's electricity will come from offshore wind by the end of this decade.

Today, as we sit here in our state, we still get more than 90 percent of our electricity from natural gas, which we have to import because we don't produce gas or oil in our region. And it was just announced the other day that Rhode Island ratepayers are going to see a 40 percent increase to the rate on their electric bills this winter because of instability in the oil and gas markets driven by a range of factors including the war in Ukraine and other things that are outside of our control.

We know in Rhode Island that we can build out clean, domestic, American-made energy through offshore wind that will create American jobs, union jobs, lower cost for consumers, and help us do our part to reverse climate change. We know it because we are doing it.

And the job impact alone is phenomenal. Already in Rhode Island, millions of dollars are being invested in ports. Men and women in the trades are already working to stage offshore wind projects, not just for Rhode Island, but all across the Northeast. And the jobs aren't limited just to New England, either.

The Block Island Wind Farm, which I just mentioned, and is the first operational offshore wind farm in the United States, has bases. The structures at the base of those turbines were constructed in Louisiana. The crew transfer vessels that take men and women out to the offshore wind farms to perform maintenance, some of those crew transfer vessels are being built in my district in Rhode Island. A number of others are being built in Louisiana.

I should mention, by the way, I am born and raised from Rhode Island, but I actually used to live in south Louisiana. I lived in Opelousas Saint Landry Parish for a period, so I have an affinity for Louisiana, even as a native Rhode Islander myself.

So, this is not fiction. This is real. The threat of climate change is real, and also the opportunity to create good, American jobs, produce American energy at lower cost to consumers is real. But we need, as a Congress, to advance policies that will help make this transition to clean energy, particularly offshore wind, a reality.

That is why I am pleased that the Biden administration has launched a goal of achieving 30 gigawatts from offshore wind, that BOEM and NOAA are working with all relevant stakeholders to make sure that offshore wind development is done in a way that is responsible, that protects coastal communities, that protects impacted industries, stakeholders, and tribes, but that we move in an aggressive way because, as I said earlier, in my state entire neighborhoods are already having to be relocated because of sea level rise. And I know that the same is true in the Gulf and many other parts of the country.

So, I want to thank the witnesses during the previous round of questioning for validating a lot of what we are seeing in Rhode Island, that there is good, job-creating potential in offshore wind. There is good potential for bringing back more American jobs, lower costs to consumers.

We cannot allow the incumbents in the energy space to block that progress. If we believe in markets, and if we believe that American energy independence is of paramount importance, we have to continue this transition in a responsible way toward offshore wind as we have been leading the way doing in my home state, in Rhode Island.

I see my time is expired, but you can tell that I get passionate. I yield back.

Mr. STAUBER. Thank you very much for your comment. Just a reminder, we also need permitting reform to do that, what you just suggested. Thank you very much.

We will go to Mr. Rosendale for 5 minutes.

Mr. ROSENDALE. Thank you very much, Mr. Chair. Thank you very much for the panel for coming in and trying to bring some good information and education to a lot of our Members here. It is amazing to me.

I am in ranch country, I am from Montana, and the ranchers are very, very protective of their inventory, and their inventory are their cattle. And in the spring time their inventory for the next year are their calves. And I can tell you that the ranchers are extremely protective of that inventory, whether they have to fight against grizzly bears, mountain lions, or just the weather, they do whatever is necessary to protect that inventory because that is how they get paid, to the extent that I have literally seen more than one rancher bring a calf, a half-frozen calf, into their kitchen to warm it back up so that it can survive and start suckling on its mother.

So, when I hear these references of operators having a complete disregard for the oil that they are trying to produce, which is literally their product, which is literally their inventory, is just outlandish to me, and is completely contrary to what anybody would believe.

So, I don't know if Mr. Minarovic or Mr. Danos would like to comment, which one is better suited, but some of the processes that you have in place to make sure that your product makes it to market and it is protected from being leaked out into the environment.

Mr. MINAROVIC. Yes, are you talking about the inventory of leases? Is that what you are saying?

Mr. ROSENDALE. I am talking about the product, the oil that you are producing.

Mr. MINAROVIC. Yes, in the Gulf of Mexico we don't store much production at all on our facilities. The wells are produced in a radius around a fixed structure or a floating structure. The oil comes to that facility. It is processed at that facility very quickly. And process, I mean basically separates out the oil, the water, and the gas. They all three go a different direction, directly back into pipelines, or the water goes back into the Gulf of Mexico after it has been cleaned.

So, there is very little time or exposure, there are no tanks of any significance in the Gulf of Mexico that store oil at atmospheric conditions. All this oil is processed under pressure, and it is on the platform for a very short amount of time, and that is really the difference, that along with the high level of regulation that we have been under for over 70 years is what makes this such an environmentally advantaged barrel of oil.

Mr. ROSENDALE. So, any oil that you would lose is oil that you could not sell. Is that a fair statement?

Mr. MINAROVIC. Yes, we are not losing any oil. We are not losing any oil.

Mr. ROSENDALE. Thank you.

Mr. MINAROVIC. In onshore sometimes, we are talking a lot about venting and flaring, and the regulator severely restricts any of that activity. It would only be in a short-term emergency situation we would be allowed to do anything like that. And it is all reported and recorded.

So, we are very, very restricted. And what happens is in a situation, the platform may shut in and the wells get shut in ultimately, and then we get everything straightened out and fixed again, and then restore production and put the wells back on-line.

Mr. ROSENDALE. Very good. I also want to go down another line.

We hear about the leasing and all of the problems that it is causing when you have the unpredictability of basically your inventory coming on this conveyor belt that you are talking about.

But the other thing that we also are having problems with is actual funding. So, I would like one of you gentlemen to give me some information about how these ESG standards are starting to impact your access to capital, which is causing you problems when it comes to actually developing your resources.

I know that the oil producers in Montana, the small drillers that we have, say that they have gone from having 12, 15 different institutions that used to lend them money, that now they are down to like three different institutions because the Federal Government, through the Securities and Exchange Commission, is putting these ESG standards in place that is making it more difficult for you to access capital. Are you having the same experience?

Mr. DANOS. I would just say that our companies care deeply about environmental social issues. I grew up in Cut Off, which is a community much like Mr. Solet's, I lived just up the road from him. So, we care deeply about those issues.

And I think Mr. Chiasson talked about a place where we work, live, and play. A lot of that play is the fishing that we do on the coast. So, again, we care deeply about our environment. We have to report every drop of oil. If a drop of oil were to hit the Gulf of Mexico, that is reportable. There is tremendous oversight.

But at the end of the day, those standards are restricting capital. Mike and I both have private companies, so we are having to access capital to continue to grow our businesses. And those standards are going to make that more and more difficult if they are arbitrary. Good, strong ESG standards are absolutely warranted.

We want them. We welcome them. But we just need to be careful about how those get applied from a capital standpoint.

Mr. ROSENDALE. Thank you very much.

Mr. Chair, I will yield back.

Mr. TIFFANY [presiding]. The gentleman yields. I would like to recognize the Chairman of the Full Committee, Mr. Westerman, for 5 minutes.

Mr. WESTERMAN. Thank you, Mr. Chairman. Thank you to the witnesses for being here today.

We hear this idea of all-of-the-above energy, but I am starting to hear from my friends on the left and, really, from the actions of the Biden administration that it is not an all-of-the-above energy approach, it is a wind-and-solar energy approach, which just, quite simply, won't work.

I have always said the problem with the Biden administration's energy plan is twofold. It is physics and math. You just cannot meet the energy demands going down the road of wind and solar. I have no problem with wind and solar, but in the world's energy demands, it is about the equivalent of a hair on a mole's rear end of the impact to the energy.

Also, it is about more than energy. If we quit natural gas production, if it stopped, like many people are proposing, it affects fertilizer, which affects food, which means people are going to starve to death around the world. That is the importance of this issue that we are facing, and I am judging the Administration on their actions, and it is really on their inactions.

And I would like to take a closer look at the timeline for lease sales in the Gulf of Mexico and the impact of the various factors on the process.

[Chart.]

Mr. WESTERMAN. If you look at the chart behind me, at the top you can see when BOEM should have started the NEPA process. That is the yellow arrow up there, in June 2022.

If they could have issued a notice of intent to prepare an environmental impact statement for the site-specific leases in June 2022, we could be at this stage down here, which we may have to raise the board up to even see it. That is where they should be, where that red arrow is, ready to hold sales in 2024 had BOEM started the process as early as the previous administration did. And as you can see, it is a quite complicated process.

However, BOEM has not even begun the NEPA process for new sales, meaning the process is currently stalled, which means they are using the process to stop new production in the Gulf. That is the bottom line of what they are doing because they hate oil and gas. They hate it. And you cannot replace oil and gas with wind and solar and do it overnight like a lot of people are proposing.

This is very serious, and it is damaging our country, it is damaging our security, and it is going to hurt the American taxpayer in more ways than just the pocketbook.

And Mr. Minarovic, has BOEM started any sale-specific environmental reviews for potential 2024 sales?

Mr. MINAROVIC. Not that I am aware.

Mr. WESTERMAN. At a recent Offshore Operators Committee meeting in New Orleans, BOEM officials suggested that the review timeline for NEPA for any forthcoming sales would take at least 2 full years to get through this chart behind me. Is that correct?

Mr. MINAROVIC. I think that is probably right.

Mr. WESTERMAN. So, let's do the math together. If the 5-year plan is finalized in December, and the NEPA is projected to take 2 years, when will the first sale happen if everything goes perfectly?

Mr. MINAROVIC. 2026, at the earliest.

Mr. WESTERMAN. 2026, at the earliest for the first new sale, after the next election, far into the next term of the next President.

So, BOEM is effectively implementing the Biden administration's policy of the attack on energy, which is an attack on America is really what it is. So, we are seriously looking at an oil and gas lease sale delayed until after the spring of 2026. That is the earliest it could happen now because of the delays that they have already built into the process.

This is unacceptable. BOEM needs to be held accountable for this, and as far as I can see BOEM is useless in the job that they are supposed to be doing if they are using the process to stop the very thing that they are supposed to be spending American taxpayer dollars to make happen in the safest, most environmentally friendly way.

And you can't even go down the argument that this is best for the climate, because the demand for oil and gas is not going down. It is on an exponential increase, which means we are going to rely on OPEC, on Russia, on OPEC+ to produce the energy for the world because we can't get past this mess that we have created and that the American taxpayer dollars are funding to happen.

So, we are working hard to try to change this, but I appreciate you all staying in the fight, and hopefully it will get better soon. But we are already in a very precarious place because of the delays that BOEM has put in place.

Mr. Chairman, I yield back.

Mr. TIFFANY. The gentleman yields. I would like to recognize Mr. Mullin for 5 minutes.

Mr. MULLIN. Thank you, Mr. Chair, and thank you to our witnesses for your testimony this morning.

July is likely to be the hottest month on Earth since records have been kept. This week, a new report found that ongoing U.S. and European heat waves would have been, and I quote, "virtually impossible without the influence of human-caused climate change from burning fossil fuels." This, of course, is no surprise. Experts have been predicting these extreme impacts for decades.

My question is for Mr. Solet, we have heard from the oil and gas companies and some of my colleagues from across the aisle that oil and gas development in the Gulf of Mexico is some of the safest, most environmentally friendly extraction in the world. I just would like to get your reaction to that suggestion.

Mr. SOLET. You can speak to the 11 workers that died on the Deepwater Horizon about how safe that is.

I was a blowout specialist for 10 years. There are 3,000 spills recorded a year in the Gulf of Mexico, but God knows what goes unrecorded because when I was working in an oil field, every time you disjoint a pipe coming out of the ground when that well is under pressure, those platforms are made of grating, and there is nothing to stop the fluid in a 30-foot joint of pipe of going into the Gulf.

I do know there are more than 3,000 oil spills a year that go unreported.

Mr. MULLIN. Thank you for that. And Mr. Solet, why, in your view, does the United States have a responsibility to play a leadership role in reducing global greenhouse gas emissions?

Mr. SOLET. Because America is a leader in the Global North, and by allowing the Global South to attain what the Global North has attained, it makes the world a cleaner place, and allows monies to travel around the world faster, and it also allows job growth to become a cleaner environment for the workplace, for the worker. And we can actually make that true in just transition to renewables by allowing the Global South to use what we have used in over-abundance in the last 50 years.

Mr. MULLIN. Thank you, sir. Thank you all.

Mr. Chair, I yield back.

Mr. TIFFANY. Do you want to yield the balance of your time to me, Mr. Mullin?

Mr. MULLIN. [No response.]

Mr. TIFFANY. I am teasing you.

[Laughter.]

Mr. TIFFANY. My questions would be different than yours.

I would like to recognize the gentleman from Alabama, Mr. Carl, for 5 minutes.

Mr. CARL. Did you say I get 15 minutes? Is that what you said, Mr. Chairman?

Mr. ROSENDALE. We know you talk slow.

Mr. CARL. Yes, I talk slow. I am from the South. I noticed a few more down here talk a little slow, too. I appreciate that.

I am from Mobile, so the offshore energy industry is very important in my district, whether it is working on rigs, whether it is actually crewing those rigs, crewing those boats. I appreciate everything we do down there.

Paul, is it Danos? Did I pronounce that correct?

Mr. DANOS. Danos.

Mr. CARL. OK. I have to say it faster.

Mr. DANOS. Well, I will answer to Danos, too.

Mr. CARL. All right, sir. I have a question for you. I would like for you to give me a broader understanding of your company's involvement in the community engagement and development. And could you please share information about any initiatives or programs your company has undertaken to support the community?

Mr. DANOS. Yes, that is a great question. Thank you.

In my original testimony, I talked about the desire of my grandfather to put people to work in his community back in 1947, when he started the business. And he has done that, and we have done that over that whole time.

I will tell you that probably about 5 years ago, we had a group of employees that thought, maybe 10 years ago now, that thought we could do better. And with the support of the owners, they created what we call the Danos Foundation. And through the

Danos Foundation, we have been able to give back probably over $1 million over the last 7 years to our community.

In fact, the Dulac Community Center has been a big recipient of grants from our Foundation for the last 4 years. We have a great partnership with the center there and the folks that run it.

And, really, our desire is solving challenges for our communities where we work and live. And we have been able to do that in a significant way because, at the end of the day, I am blessed to be from a place like Cut Off, Louisiana, to live in Terrebonne Parish now, and to live and work with and have grown up with the people that work for my company and other companies that work offshore that, again, we strive very hard to take care of while they are working, but also to be engaged in their lives.

We have an arm of our Foundation that helps our employees when they hit tough patches. We had some hurricanes that devastated a lot of folks that worked for us, went right up through Mr. Solet's hometown, and we were able to do a lot to give back, from our folks showing up to provide generators and meals, to cash to help folks get back on their feet. So, there are a lot of things that we do.

And it is not just us. We are just an example of the things that happen in our industry, many of the companies involved in this industry are doing the same things, and have similar initiatives to give back and support the communities.

Mr. CARL. As a county commissioner, I got involved a lot in that. And when we would look for economic developments for groups to come in, that was one of the questions I would drill them with. What is your involvement in the community? What are you going to do in the community?

In Mobile, we have Airbus, for example, and they have a program for their employees to go in and read with the children. Well, you think that is not a big deal, but it is to those teachers. And, of course, those students are picking up on it also.

And I also want to point out that my dad used to run crew boats out of southern Louisiana down there of Otto Candies. I am sure you are probably familiar with that name. They have been around a while. He ran them back in the, I think, 1970s and 1980s. So, the industry down there fed me and my family growing up. So, thank you for that.

With that, Mr. Chairman, I will return my time.

Mr. TIFFANY. The gentleman yields. We will go to a second round of questions now, and I am going to start out recognizing myself for 5 minutes.

Mr. Minarovic, in the slides that you showed the Committee here, you had something in regards to global population. So, my question for you is, if we decrease American demand, will oil demand go down on a global scale?

I don't know if we have the capability to bring that up, or you could just speak to it if you choose to. I thought that was an interesting slide, so if we decrease American demand for oil, is global demand going to go down?

Mr. MINAROVIC. I think we have done a lot, actually. If you look at this per-person use of oil per year, that is the United States, 22 barrels per person per year. That has gone down over time as we became more efficient with our automobiles, we became more efficient with our heating. We use less oil for heating and other things.

Mr. TIFFANY. Sorry to interrupt, but do you know, like, 50 years ago, do you know what that number was?

Mr. MINAROVIC. I have that number, but I am not aware exactly what it is.

Mr. TIFFANY. OK. No problem.

Mr. MINAROVIC. Maybe in the thirties. I would say about in the thirties. We have worked it down.

But I think we are somewhat at a limit of that. And we only have 350 million people in this country, so you do the math. And the key thing is the drivers, is the China, India, Africa bloc, 4 billion people. As India, Africa, and China move toward that global average, we estimate that if they got to the global average, that it would require about 30 million barrels a day incremental from where we are just to get to the average. And I am assured that China is not going to stop at the world average.

So, that is the driver of world demand. The United States will have some impact on it. But net, it is all about these three regions.

Mr. TIFFANY. When we talk about the global picture, haven't we become more dependent, shall we say, over the barrel to, like, the Saudis once again, which with the advent of fracking and the technologies that we have had, I mean, we got ourselves energy independence. It seems to me we are moving in the opposite direction now in the last couple of years. Do you agree with that?

[Slide.]

Mr. MINAROVIC. So, this plot right here shows world oil demand. And you can see the shaded, tan color shows the percentage of oil demand that was provided by shale. I mean, this is an amazing gift to America. Both shale oil and shale gas, which is not represented here, has helped to keep our energy costs at the lowest level in the world.

And these 8 million or 10 million barrels a day that that shale oil discovery has led has really been a huge driver for a positive economy over the last 12 years. It got us out of the recession. It helped balance that increase in concerns about peak oil that we were reaching in 2007, 2008.

But that production is stabilized now. It is not likely to increase substantially from the point it is at now. It is not going to go down a lot, probably, but we are not going to see that same growth. So, I agree with your question that there is more exposure.

Mr. TIFFANY. So, we are still going to need to produce oil from the Gulf to be able to meet the demand both for our country and for the world.

Mr. MINAROVIC. Yes, that is correct. And what I think we should focus on, if we want to really change and look at alternatives, we should first reduce demand.

The movement to reduce supply doesn't impact demand until prices go up. So, I really struggle with understanding why the Biden administration is restricting lease sales, restricting activity in the Gulf of Mexico, which is the best environmental barrel that we can produce in order to reduce supply.

Mr. TIFFANY. I would just close by saying this in regards to the questioning and comments we just heard on the Minority side.

Experts have been predicting for decades that we would see these rising global temperatures that are a sure sign that man is causing climate change. That is not correct.

In 1975, I have the copy of Newsweek magazine where Paul Ehrlich said that global cooling is the threat to the world, that we were going to lose millions of people by the year 2000 as a result of temperatures cooling on a global scale. Well, now we are here, what almost 50 years later, and it is going to be higher temperatures caused by man that are going to make this happen.

And, by the way, the heat waves that we are having at this point, I think some people forget the 1930s and the Dust Bowl. Go back and look at that temperature data. Those were higher temperatures at that point. And to say that this is all caused by man is at the heart of the green fantasy, and it is nothing but that, a fantasy.

I want to recognize the gentleman from Montana for 5 minutes.

Mr. ROSENDALE. Thank you, Mr. Chair.

Mr. Chiasson, coming from a water-related area, I have to believe that the fish and seafood industry and tourism all sort of tie into your local economy, as well, do they not?

Mr. CHIASSON. Yes, we provide about 20 percent of the nation's seafood. And I think if you come to any restaurant in Washington, DC or around this area, you are eating a blue crab from Lafourche Parish.

Mr. ROSENDALE. So, if you were to estimate, or you maybe even have this, how much of your parish's budget actually comes from either tourism related to the water activities or from the fish and seafood industry?

Mr. CHIASSON. Probably about 20 percent. About 28 percent of our parish is made up of oil and gas, and the rest is made up of household earning incomes.

Mr. ROSENDALE. OK. So, it would be a pretty big hit to your budget, I would say, if you were to lose your tourism and/or your fish and seafood industry. Would that be a fair assumption?

Mr. CHIASSON. Yes, and that is why you have seen us invest so much in ecotourism. That is why you have seen places like Port Fourchon develop kayak launches and kayak paths through their facilities. That is why you have seen the parish invest over the last 3½ years, about $5 million in new boat launch facilities and upgrades to help our charter fishery captains, to help our recreational fishermen who are coming from places north of us that want to get to the Gulf more easily to fish. And it has proven to be an economic boon for us.

Mr. ROSENDALE. Very good. And I would imagine, as you have conversations in your community with the oil and gas industry, which I am sure that you do, the fact that you are so reliant also on the fisheries and the tourism certainly enters into that conversation so that everybody is working together.

Mr. CHIASSON. Yes. And I think that is why you have seen some of the majors invest in so many wetland restoration projects, why we partner with things like the NAWCA, the North American Wetlands Conservation Act, to not only focus on the fishing industry, but also the waterfowl habitat, to get hunters to come down, as well.

As those migratory bird patterns change, we know that our wetlands are a huge part of that. So, to be able to rebuild that, not only to expand the hunting aspect, but also to protect our culture. I would like to go fishing in the same places in Montegut and Dulac that my dad took me fishing. I would love to take my two little girls there one day when they get old enough and they actually want to get on a boat and go fishing.

So, I think that is why you have seen us invest. We are in about our 12th year of a partnership with the oil and gas industry. We have developed over 200,000 linear feet of wetland terraces that help waterfowl habitat. We have rebuilt somewhere about 500 acres of wetland marsh habitat. We have partnered with people like Nicholls State University, which is our university closest to the coast here in Lafourche Parish, and our new Coastal Wetlands Center to be able to do things like that.

Mr. ROSENDALE. Very good. I myself traveled down to New Orleans probably 18 years ago, and went fishing off of a rig. It seems to me that they were attracting a lot of fish, certainly not hurting the habitat.

Mr. Danos or Mr. Minarovic, from the time that you lease until the time you actually get a permit, discounting actual drilling operations, what kind of time frame are we looking at, roughly?

Mr. MINAROVIC. I mean, that varies. When we lease a block, we have 5 to 10 years to develop that block before the lease expires. So, it really is driven by our decision on when to really submit that permit.

But the whole process of permitting for a new lease probably could be done in a year. So, you have to plan ahead and make sure you have it, but it is pretty well established procedures.

Mr. ROSENDALE. And how much of the lease do you actually end up finding that is developable for a resource as opposed to that that you just end up leasing anyway, just because it is part of the block, and then you sort of determine what is the best area to go?

Mr. MINAROVIC. Typically, the blocks in the Gulf of Mexico are 5,000-acre blocks, around there. And depending on the reservoir size that you are targeting, how many reservoirs and everything, it varies greatly. But it is a percentage of the total block. It is a quarter or half of the total.

Mr. ROSENDALE. That is what I was going to say. So, anywhere from 20 up to, if it is a really good block, you might get 50 percent of that area that is developable.

And then the permit to actually drill, from there to production when you are actually drilling, what kind of time frame are we dealing with there?

Mr. MINAROVIC. It is really widely varying, depending on water depth, really. The deeper the water, it could take years to establish production if you are going to put in a full facility. If you are going to tie that well back to an existing facility, it will be a lot less. And if it is on the shelf in the shallow water, it could be very quickly.

Mr. ROSENDALE. My last question before I run out of time here is, we have seen the prohibition by this Administration of the leasing, and to stop the leasing so that we can't even begin the research. Are you also finding that you are having problems with the permits to do the drilling being slow-walked, as well?

Mr. MINAROVIC. I think that was a concern, honestly, when the Biden administration came in. But from our company's perspective, the permits have been slow with regard to pipelines, and decommissioning, and things like that. But generally, the well drilling permits have been pretty standard response times.

Mr. ROSENDALE. OK. Thank you very much.

I yield back, Mr. Chairman.

Mr. TIFFANY. The gentleman yields. I would like to recognize the gentleman from Texas for 5 minutes.

Mr. HUNT. Thank you, Mr. Chairman, and I want to thank the witnesses for being here today. Thank you so much for your time.

[Slide.]

Mr. HUNT. This is why we are here.

[Laughter.]

Mr. HUNT. Mr. Minarovic, behind me, is this is a picture of the Rice's whale or the Loch Ness monster?

Mr. MINAROVIC. It appears to be the Loch Ness monster.

Mr. HUNT. One would say, sir. Well, according to the 2020 Biological Opinion, the Rice's whale might, might, have been seen in the Gulf. Or maybe it was swimming next to Nessie. I guess we will never know. I don't think we need a marine biologist to tell us this. Yesterday, we were talking about UFOs. So, if the Rice's whale might have been seen, maybe we saw some other things, as well.

I say this because the sighting of the Rice's whale is not the reason that we should drive up energy prices and costs of American families. Mr. Minarovic, should we stop drilling in the Gulf of Mexico because of the possible sighting of the Rice's whale or any other unknown species in the Gulf of Mexico, including but not limited to Nessie, of course?

Mr. MINAROVIC. We have a long track record of understanding the endangered species in the Gulf of Mexico and tracking them. And this Rice's whale thing seems to be a significant departure from the way that we have handled things in the past.

But we need to keep drilling in the Gulf of Mexico, and all these things are attacks on our industry to slow that effort and all the things we have been talking about today. The Rice's whale, the lease sale, the permit issue, the new proposed rule that we are dealing with out of BOEM, all those things are intended to slow down development of this basin that delivers the best source of American energy, the best source of environmentally advantaged oil, that Americans can access. And it keeps prices low, and it keeps middle-class families and lower-class families in a good economic situation.

I don't understand it. I really don't understand how the attack on supply somehow reduces demand. It doesn't reduce demand unless we see higher prices. Maybe that is the end game.

Mr. HUNT. It is the end game, and that is why we are here to fix that, sir.

Mr. Danos, this question is for you, sir. You mentioned in your oral statement, could you let the Committee know once more where do we produce the cleanest oil and gas barrels in the entire world?

Mr. DANOS. In the Gulf of Mexico, 46 percent cleaner than the average barrels produced anywhere else in the world outside of North America.

Mr. HUNT. And why is that?

Mr. DANOS. Mr. Minarovic did a good job earlier talking about that, and I will just add on, it is really about the kind of regulatory oversight and commitment that we have, both from regulators in terms of it is really world-class oversight for the operations that we do.

And it is a commitment from the operators, a commitment from service companies like Danos and others that are out there, because, again, we care about the environment, most of us that work in this industry, many of us, live in coastal communities, fish off of oil and gas platforms. And that is a secret that, as we were talking about this a second ago, if you want to catch fish, you go out to the platforms, you go to old platform sites. That is where all the fish are caught, because it creates an environment.

So, we care about it, we are passionate about it. We are regulated to make sure that we do a good job, and we work together, and we get that done.

Mr. HUNT. Thank you. I have been on one of Mr. Minarovic's rigs, actually, in the Gulf. It is an incredible operation. It is technologically advanced. You are correct. It is clean. Safety is paramount. I mean, if they are going to allow a Congressman on there, it better be safe, I would assume.

But what I really want to talk about is how important what you do is to not just the energy here in this country, but to the entire world. I don't think you hear this enough, but I just want to tell you gentleman thank you so much for what you do for us every single day. Because right now I am sitting here, in a nice air-conditioned room wearing this suit, and I feel quite comfortable because of the very energy that you provide for us.

And Mr. Danos, you were talking about how safely that we do it here, how clean we do it here, and why that is the case. I can assure you that Venezuela, Saudi Arabia, Iran, and other countries don't care about safety nearly as much as we do. We live in a world where we need more electrons.

And I want to do away and dispel this myth of a transition. There is no such thing as a transition. There is only energy addition, and it is going to be a mix. It is going to be redundancies. It is going to be provided by the people in this room right now. If we don't continue to hammer this point home, we are literally going to destroy our economy at no gain to the globe.

We are living in times of record inflation, record debt, record energy prices, and, quite frankly, middle America and the flyover states can't afford it. And the only way that we are going to be able to afford it is to unleash American energy and unleash companies like yours, Mr. Minarovic, to continue to fuel our world.

We have to stand on this together. This is not a partisan issue. This is about not just fueling our country, but making sure that we become a net exporter and getting back to what it means to have the greatest country in the entire world, and you gentleman provide that for us. Thank you so much for your time, I really appreciate it. God bless you.

Mr. TIFFANY. The gentleman yields. I would like to recognize Mr. Carl for another 5 minutes.

Mr. CARL. Mr. Chairman, I don't have to follow Mr. Hunt, do I? [Laughter.]

Mr. CARL. You missed your calling. You should be a charismatic TV evangelist. I have determined that.

Mr. HUNT. There is time after this. I will do it after this.

Mr. CARL. There you go.

I want to talk about the delays in the leasing. On this side of the aisle we have argued this, this is my third year here, and we have argued it every year, the delays, the delays, the delays in the leasing in the Gulf of Mexico.

So, Mr. Danos, did I say it fast enough at that time? All right. What are the specified challenges your employees are facing due to the delays and uncertainty in the offshore leasing program?

Mr. DANOS. Yes, again, you hit the key word there. It is uncertainty, right? That uncertainty, those delays create uncertainty that chills investment, that moves capital elsewhere.

Many of the companies that are investing capital in the Gulf of Mexico have options. They are competing for capital. If you hear the companies that have an international footprint, they talk about how their companies are competing for capital.

So, if we create more uncertainty, then that capital will go elsewhere. Ultimately, that sends jobs elsewhere, and increases energy prices not only for our people, but that is an impact on everybody in the United States, right, those increased energy prices.

And we talked about exports, and instability, and some of the prices here recently. We are exporting more natural gas because we are trying to resolve for the instability from other countries in Europe who are dealing with, what they did is they outsourced their production to Russia and other places like that. And now they are in a bind, and we are having to bail them out. We don't want to put ourselves in that same situation. And we risk doing that by continuing to delay the leasing.

Mr. CARL. Tell me the impact on your workforce and how you are supporting the needs from a policymaker standpoint to ensure those jobs are stable and can continue to grow. Does that make sense?

Mr. DANOS. Yes, allow us to continue to invest in the Gulf of Mexico, where we can produce those barrels and support the people that are doing it, those folks that are, again, the frontline heroes that are doing the work that live in these coastal communities.

And, frankly, the nature of the offshore work allows people, many of our folks live in coastal communities, but many of them drive in from around the country because they work that shift work. These are good jobs. I think we talked about some of them having a $51 an hour average wage. These are over $100,000 a year salaries for a lot of folks that are out there. And anything that we do that restricts supply is going to ultimately restrict jobs, and it is going to cause people to lose their jobs.

And there isn't a one-to-one automatic switch, just like there isn't one-to-one switch for energy to renewables, nor is there a one-to-one switch for jobs, oil and gas jobs straight into renewables. Over time we will get there, but we are not going to move people over immediately, just like that.

Mr. CARL. Also, I was on with Mr. Hunt, I came out on your rig, Mr., I am going to mess this one up.

Mr. MINAROVIC. Minarovic.

Mr. CARL. Minarovic, yes, OK, we will get close there. I came out on your rig, and you have the best drill master out there I have ever seen. He is from my district. So, if you can find him, all you have to do is scream "Roll Tide," and he will answer.

[Laughter.]

Mr. CARL. That was my way of finding him.

But I think most folks also don't understand what your industry does for local government on the GOMESA money, for example, in the Gulf. As a county commissioner, we counted on that GOMESA money to finance so many environmental projects, and we don't need to lose sight of local governments all around the Gulf of Mexico that depend on that money to do things like restoring wetlands, boat ramps, virtually anything that is environmentally related.

So, I thank all of you for your service and for what you provide for this country. I am one of those that believe we ought to be self sufficient, we shouldn't buy anything off shores if we can produce it ourselves. So, thank you. You have my support.

With that, I yield back.

[Pause.]

Mr. CARL [presiding]. It looks like I am going to close.

All right. I thank the witnesses for their valuable testimony and the Members for their questions. The members on the Subcommittee may have some additional questions for the witnesses, and we will ask you to respond to these in writing. Under Committee Rule 3, members of the Committee must submit questions to the Committee Clerk by 5 p.m. on Tuesday, August 1. The hearing record will be held open for 10 business days for any responses.

If there is no further business, without objection, the Committee stands adjourned.

[Whereupon, at 11:50 a.m., the Subcommittee was adjourned.]

[ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD]

Statement for the Record

The United South and Eastern Tribes Sovereignty Protection Fund (USET SPF)

The United South and Eastern Tribes Sovereignty Protection Fund (USET SPF) is pleased to provide the House Subcommittee on Energy and Mineral Resources (Subcommittee) with the following testimony for the record of the July 27, 2023 hearing on, "Safeguarding American Jobs and Economic Growth: Examining the Future of the Offshore Leasing Program." This hearing focused on concerns with the Department of the Interior (DOI) and its delay in authorizing a five-year offshore lease program for oil and natural gas and the Biden Administration's delay in planning for oil and gas lease sales for 2024. Although USET SPF will refrain from engaging in much of the debate around issues raised during the hearing, we feel compelled to expand upon and highlight some related issues.

As a matter of Tribal sovereignty and self-determination, Tribal Nations continue to pursue the rebuilding of our Tribal economies, especially following the COVID-19 public health emergency. The deployment, upgrade, and maintenance of infrastructure on Tribal Lands remains a critical component of these efforts in our pursuit of Nation rebuilding. However, the deployment of new infrastructure projects, including energy infrastructures, and the streamlining of federal permitting processes remain a major concern for USET SPF because of the potential impacts to Tribal sovereignty, cultural and sacred sites, and the public health and lifeways of our communities. We note that the Subcommittee did discuss issues with National Environmental Policy Act (NEPA) permitting and how the law needs to be revised in favor streamlining the process. USET SPF has serious concerns regarding changes to NEPA, particularly because the federal government is already failing to uphold its process and streamlining would further threaten our cultural and sacred sites. We also have serious concerns with the ongoing authorization of offshore wind leases absent early and appropriate Tribal consultation, as well as the lack of funding and planning for avoidance and mitigation measures and impact aid to Tribal Nations.

USET Sovereignty Protection Fund (USET SPF) is a non-profit, inter-tribal organization advocating on behalf of thirty-three (33) federally recognized Tribal Nations from the Northeastern Woodlands to the Everglades and across the Gulf of Mexico.[1] USET SPF is dedicated to promoting, protecting, and advancing the inherent sovereign rights and authorities of Tribal Nations and in assisting its membership in dealing effectively with public policy issues.

Concerns with Offshore Wind Development Without Proper Tribal Consultation, Compliance with NEPA, and Resources and Technical Assistance for Tribal Nations

The planning and deployment of offshore wind energy projects without early and appropriate Tribal consultation has become an increasingly alarming issue throughout Indian Country. The recent, historic funding authorized by the Bipartisan Infrastructure Law and the Inflation Reduction Act have overwhelmed Tribal Nations and our Tribal departments and personnel responsible for reviewing NEPA permit applications for infrastructure projects. The aggressive pursuit of offshore wind development has led to decisions to streamline or outright ignore federal responsibilities to appropriately engage in consultation with Tribal Nations and hold non-Tribal developers accountable for Tribal engagement and coordination. Tribal Nations are contending with the impacts of the deployment of offshore wind energy projects due to the failure of the Bureau of Ocean Energy Management (BOEM) to conduct appropriate consultation and engagement with Tribal Nations prior to the approval of permits for these projects. Though these issues have the potential to impact Tribal Nations across the United States, several of these projects are currently under construction and affected USET SPF member Tribal Nations have been engaged with BOEM to avoid adverse impacts. Let it be strongly emphasized that USET SPF is not opposed to renewable energy development, especially when those projects are being pursued and initiated by Tribal Nations. The issue we have is when non-Tribal entities and agencies of the federal government do not properly engage and consult with Tribal Nations when these projects are occurring outside of our jurisdictional boundaries and threatening our cultural, environmental, and natural resources and sacred sites.

BOEM is currently considering additional offshore wind project proposals and several Tribal Nations, both within and outside the USET SPF region, continue to raise concerns about potential threats to submerged sites of cultural significance, natural and environmental resources, and aquatic life. The development of these projects is moving forward without necessary avoidance and mitigation measures or

[1] USET SPF member Tribal Nations include: Alabama-Coushatta Tribe of Texas (TX), Catawba Indian Nation (SC), Cayuga Nation (NY), Chickahominy Indian Tribe (VA), Chickahominy Indian Tribe-Eastern Division (VA), Chitimacha Tribe of Louisiana (LA), Coushatta Tribe of Louisiana (LA), Eastern Band of Cherokee Indians (NC), Houlton Band of Maliseet Indians (ME), Jena Band of Choctaw Indians (LA), Mashantucket Pequot Indian Tribe (CT), Mashpee Wampanoag Tribe (MA), Miccosukee Tribe of Indians of Florida (FL), Mi'kmaq Nation (ME), Mississippi Band of Choctaw Indians (MS), Mohegan Tribe of Indians of Connecticut (CT), Monacan Indian Nation (VA), Nansemond Indian Nation (VA), Narragansett Indian Tribe (RI), Oneida Indian Nation (NY), Pamunkey Indian Tribe (VA), Passamaquoddy Tribe at Indian Township (ME), Passamaquoddy Tribe at Pleasant Point (ME), Penobscot Indian Nation (ME), Poarch Band of Creek Indians (AL), Rappahannock Tribe (VA), Saint Regis Mohawk Tribe (NY), Seminole Tribe of Florida (FL), Seneca Nation of Indians (NY), Shinnecock Indian Nation (NY), Tunica-Biloxi Tribe of Louisiana (LA), Upper Mattaponi Indian Tribe (VA) and the Wampanoag Tribe of Gay Head (Aquinnah) (MA).

impact aid to Tribal Nations. In recognition of these concerns, USET SPF adopted USET SPF Resolution No. 2023 SPF:013, which urges a temporary moratorium on BOEM's offshore wind scoping and permitting processes until a nationwide Programmatic Agreement (NPA) is developed and agreed upon with Tribal Nations.[2] USET SPF has been engaged with BOEM and the other agencies within DOI regarding ongoing concerns with offshore wind development absent Tribal consultation. Any type of offshore development that is outside of Tribal Nations' jurisdictional boundaries must require Tribal engagement and consultation prior to the issuance of any new offshore leases.

We understand that the Biden Administration has a goal of deploying 30 gigawatts of offshore wind electricity generation by 2030. However, this development, as well as the continued development of oil and gas on the Outer Continental Shelf, must not occur at the expense of destroying our sacred sites, cultural, natural, and environmental resources, and aquatic wildlife. Consistent with the Administration's commitment to Indian Country and "the whole of government" approach, the process must provide full mitigation through the completion of comprehensive and transparent procedures to appropriately protect Tribal Nation religious, cultural, environmental, and sovereign interests. We believe that the Administration's goals of developing clean energy and increasing Tribal co-management opportunities can and must be harmonized. Indeed, Tribal Nations have extensive experience in navigating the deployment of federal infrastructure in a way where multiple interests are satisfied1 and our cultural heritage is preserved. We are committed to exploring solutions with our federal partners that will benefit both Tribal Nations and the Administration's offshore wind deployment goals.

The federal government must uphold its trust and treaty obligations by ensuring it, and non-Tribal developers of these projects, engage and consult with Tribal Nations early in the process when considering awarding a lease for development of these projects. Similarly, in the event our cultural and sacred sites and cultural lifeways are disrupted, disturbed, and otherwise adversely impacted, the federal government as well as the non-Tribal developer must be held accountable and provide mitigation measures, impact aid, and other necessary resources to Tribal Nations. Tribal Nations have already sacrificed too much in the way of land loss, the destruction of our communities, cultural heritages, and sacred sites, and the exploitation of our natural resources.

Concerns with Considering Legislation that Expedites the NEPA Review Process Absent Consultation with Tribal Nations

One of the other issues raised by Witness testimony to the Subcommittee during the July 27, 2023 hearing, was the issue of the lengthy NEPA review process. Since Congress has begun to raise issues with the costs and time constraints associated with finalizing NEPA reviews for permitting energy projects, USET SPF has been seriously concerned with the potential disastrous ramifications to Tribal Nations that the enactment of legislation streamlining the NEPA review process would have on our sacred sites, cultural and natural resources, and public health. While the NEPA review process may need to be reexamined on Tribal Lands for projects being pursued by Tribal Nations, USET SPF strongly opposes the streamlining of NEPA and other permitting review processes without early engagement and consultation with Tribal Nations. Just as the federal government has trust and treaty obligations to protect our cultural heritage and well-being, it also has obligations to empower us to exercise self-determination and utilize funds and other resources to protect what is important to us.

The resources available to Tribal Nations to fully participate in the NEPA review process have always been inadequate—yet another reminder of the federal government's failure to uphold its trust and treaty obligations to fully fund technical assistance and support for Tribal Nations. For instance, while funding for Tribal Historic Preservation Officers (THPOs) received an increase in Fiscal Year 2023 appropriations—after remaining stagnant for far too long—these funding levels are still insufficient to support the costly and time-consuming review of leases and permits for proposed infrastructure projects. This issue is further compounded due to enactment of the COVID-19 relief laws and the recent Bipartisan Infrastructure Law and Inflation Reduction Act that are making historic investments in infrastructure deployment. These investments are further exacerbating and straining the resources, personnel, and capacity of Tribal Nations to participate in and review NEPA permits within and outside of our jurisdictional boundaries.

[2] USET SPF partner organizations, the National Congress of American Indians and the Affiliated Tribes of Northwest Indians, share these concerns and have passed similar resolutions.

Furthermore, it is important to note that in the instances that Tribal Nations have a THPO and/or a cultural or natural resources department dedicated to conducting environmental, cultural, and historic preservation reviews, oftentimes these individuals and departments are inundated with multiple projects and permit applications that exceed their available capacity and resources. Review of these projects can also be lengthy because they are often broken into multiple, segmented reviews of a single project and span across multiple agency jurisdictions and oversight authorities. Additionally, these individuals and departmental staff may fulfill multiple roles within their Tribal government due to the historic and persistent failures of the federal government to appropriate the necessary resources for these positions. It is not uncommon for a THPO/cultural resource manager to also fulfill the role of a natural resource manager or serve in an emergency management role.

For these reasons, we urge Congress to uphold its trust and treaty obligations to Tribal Nations and allocate the appropriate funding for Tribal Nations to fully engage in the NEPA review process on infrastructure/energy projects being considered for leasing and development outside of our jurisdictional boundaries. This would benefit both the federal government and Tribal Nations by hastening review processes, limiting the potential for costly and lengthy litigation, and advancing the infrastructure/energy development initiatives. We will continue to oppose any legislative efforts until bill language respects Tribal Nation sovereignty and does not threaten environmental and cultural review processes on Tribal homelands and beyond. This includes H.R. 1, the Lower Energy Costs Act, which consolidated multiple energy development bills into one to enact a legislative package overhauling multiple sectors of energy development. Many of these bills, including H.R. 1, have not received proper Tribal input and consultation. Congress has legally binding trust and treaty obligations to ensure that any legislative overhaul to permitting for infrastructure/energy development projects is not enacted without Tribal consultation and does not come at the expense of protecting our sacred sites from environmental degradation as well as safeguarding the public health of our communities.

Conclusion

The failure of the federal government to fully fund and uphold its trust and treaty obligations to provide critical resources for Tribal Nations to review the permitting of energy projects occurring outside our jurisdictional boundaries has resulted in the degradation and destruction of our cultural and natural resources, sacred sites, and public health. While we strongly support robust and strengthened national energy infrastructure, and energy infrastructure build-out in Indian Country and beyond, it must not occur at the expense of Tribal consultation, sovereignty, sacred sites, or public health. Tribal Nations should not have to bear the brunt of these harms so the nation can further develop and transport its energy resources.

Congress has solemn legal obligations to ensure that the history of the atrocities of destroying our homelands, natural and cultural resources, sacred sites, and harming the public health of our communities does not continue to repeat itself. As the Subcommittee moves forward in considering any further legislative action to develop the nation's energy resources or revise and streamline NEPA review processes, we strongly urge you to consider its implications to Tribal Nations and engage in early and appropriate outreach and consultation with us prior to the award of an offshore wind development lease. Further, the federal government must ensure that any offshore development does not harm our cultural and sacred sites now submerged, and that any development includes avoidance and mitigation measures and impact aid to Tribal Nations in the event our cultural lifeways are impacted. Although a private entity may receive a license or permit to proceed with offshore development, it is still the responsibility of the federal government to uphold its solemn trust and treaty obligations to protect our cultural heritage and the public health of our communities.