HOUSE COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN BRUCE WESTERMAN

To:	House Committee on Natural Resources Republican Members
From:	Energy and Mineral Resources Subcommittee, Ashley Nichols – Ashley.Nichols@mail.house.gov & Will King Will.King@mail.house.gov (x5-9297)
Date:	Thursday, May 23, 2024
Subject:	Oversight Hearing titled "*Examining the President's FY 2025 Budget Request for the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue*"

The Subcommittee on Energy and Mineral Resources will hold an oversight hearing titled "*Examining the President's FY 2025 Budget Request for the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue*" **on Thursday, May 23, 2024, 10:00 a.m. in Room 1324 Longworth House Office Building.**

Member offices are requested to notify Jacob Greenberg (Jacob.Greenberg@mail.house.gov) by 4:30 p.m. on Wednesday, May 22, 2024, if their Member intends to participate in the hearing.

I. KEY MESSAGES

- For the first time since 1980, the Department of the Interior (DOI) has failed to release a timely five-year National Offshore Oil and Gas Leasing Program (National OCS Program). This decision by the Biden administration has left America without a strategic plan for managing its offshore resources. The Bureau of Ocean Energy Management's (BOEM) forthcoming three-sale offshore leasing plan, which does not go into effect until July 2024, is insufficient to meet the nation's energy needs.

- The Inflation Reduction Act (IRA) stipulates that BOEM can only issue offshore wind leases if at least 60 million acres are offered for oil and gas leasing in the preceding year. BOEM must commit to proceeding with the planned 2025 oil and gas lease sale, regardless of any planned sales for wind energy leasing.

- The Biden administration's policies have alienated traditional energy sectors, which are foundational to our nation's economic and security interests. In stark contrast, Republican-led initiatives like H.R. 1, the Lower Energy Costs Act, sponsored by Rep. Steve Scalise (R-LA), and H.R. 5616, the BRIDGE Production Act, sponsored by Rep. Garret Graves (R-LA), offer concrete solutions and a clear path forward to enhance energy security, ensure long-term resource sustainability, and guarantee robust federal and state revenues.

- The Office of Natural Resources Revenue (ONRR) collects and manages federal energy and mineral revenues. Serious concerns have emerged regarding the agency's ability to properly manage federal revenues, including arbitrarily denying refund requests and deleting communications, underscoring the urgent need for oversight and accountability from ONRR leadership.

II. WITNESSES

- ***Ms. Liz Klein,*** Director, Bureau of Ocean Energy Management, Washington, DC
- ***Mr. Kevin Sligh*****,** Director, Bureau of Safety and Environmental Enforcement, Washington, DC
- ***Mr. Howard Cantor*****,** Director, Office of Natural Resources Revenue, Denver, CO

III. BACKGROUND

Agency	FY 2023 Actual	FY 2024 Annualized CR	FY 2025 Request	Change From FY 2024 Annualized CR to FY 2025
Bureau of Ocean Energy Management (BOEM)	$183.4 million	$163.0 million	$183.4 million	+20.4 million
Bureau of Safety and Environmental Enforcement (BSEE)	$174.4 million	$162.1 million	$170.4 million	+8.3 million
Office of Natural Resources Revenue (ONRR)	$174.9 million	$174.9 million	$176.0 million	+1.1 million

Bureau of Ocean Energy Management

BOEM manages the development of the nation's offshore energy and mineral resources. The bureau conducts offshore energy leasing, maintains inventories of oil and gas reserves, issues geological and geophysical permits, and oversees risk management and financial assurance for energy development.[1] DOI's Fiscal Year (FY) 2025 Budget request includes $183 million in net budget authority for BOEM—an increase from the $163 million allocated in the FY 2024 annualized continuing resolution (CR).[2] The budget request also indicates that BOEM will be staffed by approximately 681 full-time equivalent (FTE) employees in 2025, an increase from 666 FTE provided in FY 2024 annualized CR.[3]

[1] Bureau of Ocean Energy Management. "Our Mission." BOEM, U.S. Department of the Interior. Available at: https://www.boem.gov/about-boem.
[2] Bureau of Ocean Energy Management. FY 2025 Budget Justifications (Greenbook), U.S. Department of the Interior, 2023, https://www.boem.gov/sites/default/files/documents/about-boem/FY2025_BOEM_Greenbook.pdf.
[3] *Id.*

The FY 2025 Budget request includes $67.5 million for BOEM's Conventional Energy Program. The request claims to ensure the implementation of the 2024-2029 National OCS Program and the advancement of new carbon sequestration regulations.[4] However, BOEM's proposal indicates that the agency will inappropriately prioritize accounting for the social costs of greenhouse gas emissions over meeting energy demand, offer only one potential offshore oil and gas lease sale, and will strand billions of barrels of oil and trillions of cubic feet of gas on the outer continental shelf (OCS) until at least 2030. Further, for over 550 days, DOI has failed to comply with the deadline set by the Infrastructure Investment and Jobs Act (IIJA) to finalize Carbon Capture rules.

Offshore Lease Sales and Five-Year Plan

Under the Outer Continental Shelf Lands Act (OCSLA), the DOI is responsible for preparing *and maintaining* an oil and gas leasing program that meets national energy needs while considering various factors, including input from intergovernmental partners and stakeholders. However, recent events, such as the cancelation of Lease Sales 258, 259, and 261, later mandated by the so-called Inflation Reduction Act (IRA) and by Federal courts, raise questions about DOI's compliance with OCSLA and the future of the offshore leasing program.[5]

After unnecessary jeopardy and litigation, the Gulf of Mexico Oil and Gas Lease Sale 261 was held on December 20, 2023, with twenty-six companies participating. The total high bids offered on the 311 tracts was $382,168,507, making it the largest oil and gas lease auction since 2015 and 45% more valuable than Lease Sale 259, which occurred earlier in 2023. Revenues from these lease sales will be directed to the U.S. Treasury, Gulf Coast states, the Land and Water Conservation Fund (LWCF), and the Historic Preservation Fund.

DOI is now set to be two years late in implementing a new National OCS Program (commonly referred to as the "five-year program") for offshore oil and natural gas leasing. On September 29, 2023, the Proposed Final Program (PFP) was published. The PFP covers the 5-year period *starting on July 1, 2024*, and continues through June 30, 2029.[6] The three-sale plan allows for acreage only from the Central and Western Gulf of Mexico regions to be utilized for auction and leaves billions of barrels of oil in Alaska, the Atlantic, and the Pacific (shown right) ineligible to be developed for five years.

BOEM
Bureau of Ocean Energy Management

Undiscovered Technically Recoverable Oil and Gas Resources (UTRR) Mean* Estimates for Planning Areas

Regional Totals:		
Alaska OCS	24.69 Bbo	124.03 Tcf
Atlantic OCS	4.31 Bbo	34.09 Tcf
Gulf of Mexico OCS	29.59 Bbo	54.84 Tcf
Pacific OCS	10.20 Bbo	16.07 Tcf
Total U.S. OCS	68.79 Bbo	229.03 Tcf

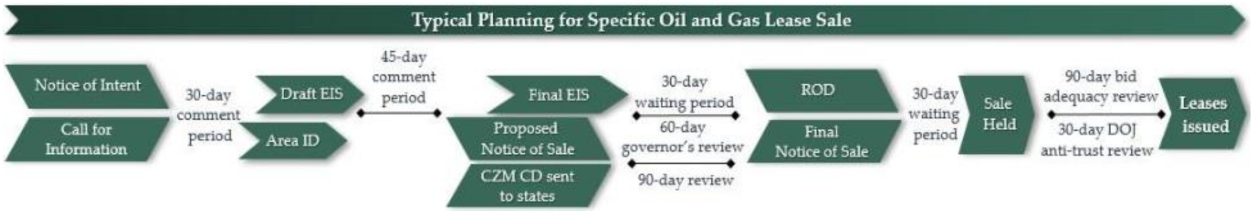
Oil in Billions of Barrels (Bbo)
Natural Gas in Trillions of Cubic Feet (Tcf)
* Arithmetic average or expected value

Source: BOEM. Undiscovered Resources, 2023

As of May 2024, BOEM manages active leases on only a fraction of the total OCS acreage available for leasing, with approximately 77% remaining unleased for decades. This untapped acreage has the potential to yield

[4] *Id.*
[5] H.R. 5376 – Inflation Reduction Act of 2022
https://www.congress.gov/bill/117th-congress/house-bill/5376/text.
[6] Bureau of Ocean Energy Management. (n.d.). Decision Memo: National Program [PDF]. Retrieved from
https://www.boem.gov/sites/default/files/documents/oil-gas-energy/Decision-Memo-National-Program-SIGNED.pdf.

significant energy resources and federal and state revenues, but the delay in completing the five-year program and holding scheduled lease sales has left Congress, industry, and taxpayers in the dark.



Source: BOEM. Site Specific NEPA Process[7]

On October 2, 2023, BOEM issued a Call for Information and Nominations (Call) covering three proposed GOM oil and gas lease sales described in the 2024-2029 National OCS Program, the process for which is depicted in the graphic above. Issuing a Call is the first step in BOEM's conventional energy pre-leasing process. Although BOEM projects to complete the necessary leasing, environmental review, and consultation steps in time to hold Gulf of Mexico Lease Sale 262 in FY 2025, the agency's track record of delays cast doubt on this commitment.

Additionally, on June 29, 2023, BOEM published the Proposed Risk Management and Financial Assurance Rule for public comment that ended on September 7, 2023. BOEM published the final rule on April 24, 2024.[8] With this action, BOEM significantly altered financial assurance requirements for the offshore oil and gas industry operating on the OCS. Stakeholders have raised concerns about the feasibility of implementing the regulations. There is concern regarding whether the estimated $6.9 billion in new financial assurances required from grantees and leaseholders can be reasonably obtained.

Renewable Energy

The FY 2025 Budget request includes $52 million for BOEM's Renewable Energy Program, intended to support the administration's goals of deploying 30 gigawatts (GW) of offshore wind energy capacity by 2030 and 15 GW of floating offshore wind capacity by 2035. Some analysts have expressed pessimism as to the feasibility of achieving this goal, given lingering high interest rates and the high cost of capital in the sector alongside manufacturing, supply chain, and logistics challenges.[9]

Renewable resources all depend on critical minerals, which Committee Republicans believe should be sourced domestically to avoid reliance on hostile foreign nations that have questionable labor standards. According to the Copper Development Association, offshore wind installation uses up to 21,000 lbs. of copper per megawatt (MW).[10] The cabling of the offshore

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[7] Bureau of Ocean Energy Management (BOEM). "National OCS Oil and Gas Leasing Program." Accessed May, 2024, https://www.boem.gov/oil-gas-energy/national-program/national-ocs-oil-and-gas-leasing-program

[8] Federal Register. (2024, April 24). Risk Management and Financial Assurance for OCS Lease and Grant Obligations. Retrieved from https://www.federalregister.gov/documents/2024/04/24/2024-08309/risk-management-and-financial-assurance-for-ocs-lease-and-grant-obligations.

[9] Musial, W. (2024). Growing pains: What's next for offshore wind in 2024. *MIT Technology Review*. Retrieved from https://www.technologyreview.com.

[10] Copper Development Association. "Renewables." Copper.org, https://www.copper.org/environment/sustainable-energy/renewables/. Accessed 14 May 2024.

wind farms accounts for the bulk of the copper usage. Moreover, ongoing conflicts with existing ocean users, such as recreational and commercial fishing, need to be addressed by the Biden administration. As of May 2024, BOEM manages 33 commercial wind leases on the U.S. OCS, covering over 2.8 million acres.

Modernization Rule and Offshore Wind 5-Year Schedule

On April 24, 2024, BOEM and Bureau of Safety and Environmental Enforcement issued a final rule to update regulations for renewable energy development on the OCS.[11] The new rule, known as the Renewable Energy Modernization Rule, is intended to increase regulatory certainty for developers of offshore wind projects. BOEM also announced a new five-year leasing plan for wind energy. In contrast to BOEM's constraints on offshore oil and gas lease sales, the agency announced 12 opportunities for offshore wind lease sales over the next five years.

In 2024, BOEM plans to lease in the Central Atlantic, Gulf of Maine, Gulf of Mexico, and Oregon. In 2025, BOEM plans to conduct additional leasing in the Gulf of Mexico.[12] In 2026, BOEM plans to offer leases in the Central Atlantic. Additional leases will be further offered in the Gulf of Mexico and New York Bight by 2027. Finally, in 2028, BOEM plans to conduct leasing offshore California, a U.S. Territory, the Gulf of Maine, and Hawaii.[13]

The Biden administration's approach prioritizes the interests of wind operators over the nation's broader energy needs, significantly threatening the future of oil and gas leasing. Under the IRA, during the 10-year period following the IRA's enactment, BOEM may not issue a lease for offshore wind development unless the agency has offered at least 60 million acres for oil and gas leasing on the OCS in the previous year.[14] While BOEM's Five-Year Offshore Wind Leasing Schedule ambitiously plans for 12 opportunities over the next five years, the agency's requirement to hold offshore oil and gas lease sales as a prerequisite for wind development under the IRA reveals a troubling dependency. The administration's one-sided focus could stifle traditional energy development and undermine a balanced energy strategy.

Marine Minerals

The FY 2025 Budget request includes $14.8 million for BOEM's Marine Minerals Program. BOEM's marine minerals activities help ensure the responsible management of the Nation's OCS mineral resources to enhance natural disaster preparedness, protect shorelines, and assess the availability of critical minerals. BOEM's budget request proposes to update its National Offshore Sand Inventory, Marine Minerals Information System, and National Offshore Critical Mineral Inventory.[15]

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[11] Renewable Energy Modernization Rule, Docket No. BOEM-2023-0005 (Apr. 24, 2024) (to be codified 30 C.F.R. pts. 285, 585).
[12] U.S. Department of the Interior. (2023, February 15). Secretary Haaland Announces New Five-Year Offshore Wind Leasing Schedule. [Press release]. Retrieved from https://www.doi.gov/pressreleases/secretary-haaland-announces-new-five-year-offshore-wind-leasing-schedule.
[13] *Id.*
[14] Harvard Law School Environmental & Energy Law Program. (2022, August). The IRA Offshore Energy Leasing Provisions: Potential Impacts. [Harvard Law School Environmental & Energy Law Program]. Retrieved from https://eelp.law.harvard.edu/2022/08/the-ira-offshore-energy-leasing-provisions-potential-impacts/.
[15] *Id.* at 2

Environmental Programs

The FY 2025 Budget proposal includes $86.7 million for BOEM's Environmental Programs. By requesting funds, BOEM is seeking Congressional approval to incorporate environmental justice (EJ) initiatives into their core activities. The agency should instead focus its resources on BOEM's primary mission of energy development and permitting efficiency on the OCS.[16]

Bureau of Safety and Environmental Enforcement

The Bureau of Safety and Environmental Enforcement (BSEE) ensures safety and environmental protection related to offshore energy production on the OCS.[17] The Bureau oversees worker safety, emergency preparedness, environmental compliance, and conservation of resources. BSEE has requested $170.4 million in net budget authority for FY 2025—an increase from the $161.7 million allocated for FY 2024.[18] The budget request also indicates that BSEE will be staffed by 938 full-time equivalent (FTE) employees in 2025, an increase from 926 provided in the FY 2024 annualized CR.[19]

BSEE's budget request includes a proposal to create a Renewable Energy Operations budget activity in FY 2025. BSEE funds its Renewable Energy Program through the Operations, Safety and Regulation, and Environmental Enforcement Activities. In FY 2025, these resources will be transferred to the new Renewable Energy Operations Activity.

Carbon Capture, Utilization, and Sequestration

The FY 2025 budget request proposes establishing a formal Carbon Sequestration Program to meet IRA requirements. Funding will enable BSEE to address sub-seabed carbon dioxide sequestration challenges by creating a multidisciplinary team to set industry standards, identify research needs, assess risks, review flow modeling, and enhance safety.[20]

Offshore Decommissioning

In FY 2025, BSEE requests $12 million, $9.1 million above the FY 2024 annualized CR level, a 317% increase, to plug and abandon orphaned wells and decommission associated pipelines and structures on the OCS.[21] This funding aims to enhance operators' financial assurances and leverage proceeds from bankruptcy proceedings to address urgent needs and eliminate safety hazards.

This request coincides with the proposed final Risk Management and Financial Assurance rulemaking, which purports to protect taxpayers from bearing the costs of decommissioning. Yet,

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[16] *Id.*
[17] Bureau of Safety and Environmental Enforcement. "About BSEE." U.S. Department of the Interior, https://www.bsee.gov/who-we-are/about-bsee.
[18] Bureau of Safety and Environmental Enforcement. FY 2025 Budget Justifications (Greenbook). U.S. Department of the Interior, 2023, https://www.bsee.gov/sites/bsee.gov/files/2024-03/FY2025_BSEE_Greenbook-508.pdf.
[19] *Id.*
[20] Bureau of Safety and Environmental Enforcement. (2024). FY 2025 Budget Justifications and Performance Information - Greenbook. Retrieved from BSEE FY2025 Budget Greenbook.
[21] *Id.*

BSEE is now seeking taxpayer funding to cover the decommissioning work their rule should safeguard against. Coupled with the uncertain future of the offshore leasing program, the current budget request offers no incentives for new offshore investments.

While decommissioning orphaned wells is essential, streamlining regulations and incentivizing new well drilling can enhance long-term decommissioning efforts. A balanced approach supporting new development and decommissioning would promote sustainable resource management.

Republican Solutions for Offshore Conventional Energy

Last year, Natural Resources Committee Republicans advanced H.R. 1335, the TAPP American Resources Act. The legislation was included in H.R. 1, the Lower Energy Costs Act, which passed the House of Representatives on March 30, 2023, with bipartisan support. In sharp contrast with the Biden administration's management of the offshore leasing program, the legislation provides clear direction regarding developing the five-year plan, scheduling lease sales, issuing permits, and streamlining the regulatory process.

H.R. 5616 (Rep. Graves of LA), the BRIDGE Production Act, would require BOEM to hold two offshore lease sales in the Gulf of Mexico each year for the next five years and three sales in Alaska's Cook Inlet over the same period. Rep. Graves offered an amendment in the nature of a substitute during the markup to add yearly sales to the current schedule to address deficiencies in the recently released offshore "five-year plan."[22] Senator Cassidy (R-LA) has introduced a Senate companion, S. 2389, the Offshore Energy Security Act.

Office of Natural Resources Revenue

The Office of Natural Resources Revenue (ONRR) is an agency within DOI whose fundamental purpose is to "collect, account for, verify, and disburse energy and mineral revenues . . . due to States, American Indians, and the U.S. Treasury."[23] According to DOI's FY 2025 Budget in Brief, ONRR seeks $176.0 million for its programs—$1.1 million more than the 2024 annualized CR level.[24] The request includes $4.1 million to transition minerals revenue management functions from the Osage Tribe to ONRR and $5.5 million for baseline capacity.[25] The budget request also indicates that ONRR will be staffed by approximately 602 full-time equivalent (FTE) employees in 2025, an increase from 577 for FY 2024.[26]

ONRR is "entrusted with a fiduciary role" and manages billions of dollars in annual revenues from "royalties, rents, and bonuses" generated largely through energy and mineral leases.[27] As a

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[22] Bureau of Ocean Energy Management, 2024-2029 National OCS Oil and Gas Leasing Proposed Final Program, September 2023. https://www.boem.gov/sites/default/files/documents/oil-gas-energy/leasing/2024-2029NatOCSOilGasLeasing_FinalPEISVol1.pdf.
[23] *About ONRR*, U.S. DEPT. OF THE INTERIOR OFFICE OF NATURAL RESOURCES REVENUE (ONRR), https://onrr.gov/about.
[24] U.S. DEPT. OF THE INTERIOR, *Fiscal Year 2025 The Interior Budget in Brief – Office of Natural Resources Revenue* (March 2024), https://www.doi.gov/media/document/fy2025-508-bib-entire-document.
[25] *Id.*
[26] *Id.*
[27] *Natural Resources Revenue Office*, FED. REG., https://www.federalregister.gov/agencies/natural-resources-revenue-office.

fiduciary, ONRR's mission is for "the benefit of all Americans," and the agency is supposed to "provide transparency and accountability" and "communicate openly, early, and often."[28]

Despite utilizing the acronym pronunciation "honor,"[29] ONRR's internal processes may tell another story. On December 20, 2023,[30] and January 30, 2024,[31] the House Committee on Natural Resources (Committee) wrote to ONRR Director Howard Cantor about the agency's audit goals and processes and its lackluster, inconsistent guidance. Before August 2023, ONRR explicitly based its compliance goals on enforcement results by seeking to recover specific dollar amounts rather than accurately recover owed royalties.[32] ONRR's goals were ripe for conflicts of interest between meeting the quantitative goals and carrying out the agency's mission of ensuring that royalties were properly paid and overpayments were justly refunded. ONRR's subsequent adoption of revised compliance goals did not make clear whether the quantitative measures were replaced or supplemented. Regardless, reports to the Committee and evidence collected through Freedom of Information Act (FOIA) requests suggest that ONRR continues to deny overpayment refunds, notwithstanding any updated policies improperly.[33]

Payors and lessees are bound by ONRR guidance—that is *when* ONRR even elects to publish guidance—but the agency does not hold itself to the same standard when industry stakeholders seek clarity. In one published letter, the agency stated, "if ONRR finds a lessee to not be in compliance with the guidance provided..., that lessee may be subject to civil penalties."[34] ONRR itself, however, "does not have an obligation to provide guidance, and industry does not have a right to expect or rely on guidance."[35] Worse yet, the Committee received reports that audit conclusions vary significantly despite identical time periods and geographic locations of audit subjects. ONRR's inconsistency suggests incompetence—at best—or malfeasance.

Since the Committee sent its letters to ONRR, additional concerns about the agency and the conduct of its employees have emerged. Documents obtained through FOIA requests and whistleblower reports to the Committee highlight that ONRR staff may ignore the legal opinions of the agency's own attorneys, arbitrarily deny refund requests based on the requestor's identity, stonewall refund denial appeal procedures by denying the ability to supplement submitted information and delete communications to ensure they are not included in any administrative record.[36] The Committee is concerned by these allegations and demands answers from ONRR leadership.

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[28] *About ONRR*, *supra* note 1.
[29] *Id.*
[30] Letter from Rep. Bruce Westerman, Chairman, H. Comm. on Natural Resources, et al., to Howard Cantor, Director, Office of Natural resources Revenue (Dec. 20, 2023), https://naturalresources.house.gov/uploadedfiles/hnr_letter_to_onrr.pdf.
[31] Letter from Rep. Bruce Westerman, Chairman, H. Comm. on Natural Resources, et al., to Howard Cantor, Director, Office of Natural resources Revenue (Jan. 30, 2024), https://naturalresources.house.gov/uploadedfiles/hnr_follow-up_letter_to_onrr.pdf.
[32] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-19-410, *Federal Oil and Gas Royalties: Additional Actions Could Improve ONRR's Ability to Assess Its Collection Efforts* (May 2019), https://www.gao.gov/products/gao-19-410.
[33] Source on file with the Committee.
[34] ONRR, *Rescinding the August 8, 2013, Reporter Letter titled Royalty on Gas Used or Lost Along a Pipeline Prior to the Point of Sale*, DEPT. OF THE INTERIOR (Dec. 18, 2014), https://www.onrr.gov/reporter-letters/20141218.pdf.
[35] Source on file with the Committee.
[36] Source on file with the Committee.