

H.R. 2436
THE ENERGY SECURITY ACT

LEGISLATIVE HEARING

BEFORE THE

COMMITTEE ON RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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H.R. 2436, ENERGY SECURITY ACT

**Wednesday, July 11, 2001
U.S. House of Representatives
Committee on Resources
Washington, DC**

The Committee met, pursuant to call, at 10 a.m., in Room 1324, Rayburn House Office Building, Hon. James V. Hansen (Chairman of the Committee) presiding.

STATEMENT OF THE HONORABLE JAMES V. HANSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

The CHAIRMAN. The Committee will come to order.

Good morning. Today the Committee will hear testimony on H.R. 2436, the Energy Security Act. We welcome the witnesses to the hearing today, and we look forward to your remarks. I am sure this could be an interesting and lively discussion.

The Energy Security Act was introduced in response to President Bush's call for a long-term energy policy for our nation.

Several months ago, our nation was sent a wakeup call by California and put on notice that we have failed to develop an energy infrastructure that is capable of supporting a 21st century economy.

We were expecting major power outages throughout the West and Northeast, and long gas lines and outrageous energy bills. While the situation has been rectified somewhat, there is still an urgent need to implement a comprehensive, long-term policy for the 21st century.

I am afraid that the impacts of the current crisis are now beginning to be felt in places all across the country. While short-term fluctuations in energy supplies are inconvenient, if we fail to act in a responsible or a timely manner, our economy will be brought to a grinding halt.

Our role in Congress should be to clear any unrealistic and overburdensome regulatory obstacles, then get out of the way and allow the markets to work.

This is not a debate between Big Oil and the working man, nor is it between the big utilities and the suburban homeowners. This is a debate about how we as a nation can reach a balance between responsible development of our known, proven resources and the environment.

We must take action and do so in an environmentally responsible way.

Unfortunately, there are some who will crowd before the cameras, claiming that any legislation will open up all the public lands for development and that our national conservation areas, our wilderness areas and national forests and wild and scenic rivers, will be at risk.

This is false. And I hope that we will have a spirited and honest discussion today and avoid demagoging the energy issue simply to score political points in the short term.

During the course of this debate, we must not forget where our responsibilities lie. We have a responsibility to the small-business owners, the farmers and ranchers, to those who ship our goods, teach our kids, and protect our streets, and make sure that their hard-earned dollars are not eaten up by skyrocketing fuel costs.

We have a responsibility to them to develop a reasonable and realistic energy policy to protect their long-term security. Energy security is as vital as national security to our nation. These two are inseparable.

American farmers across the country have suffered because of the lack of an energy policy.

Dairy farmers in the San Joaquin Valley have been forced to dump hundreds of thousands of pounds of milk because processing plants did not have power to take delivery of their milk. Dairy cows don't seem to want to cooperate when rolling blackouts and power contracts conflict with milking time.

Poultry farmers are extremely nervous as summer rolls on. They don't know if the next rolling blackout will last so long that their birds die of heat exhaustion because the circulation fans are shut off in the barns.

Higher natural gas prices have driven up the cost of fertilizers and diesel. It has become cost prohibitive to irrigate in many areas of the West. While we can live without radios, TVs and air-conditioning, we can't live without food. We should remember this as we discuss the energy policy of this nation.

Small businesses have been hit particularly hard. Utility bills and transportation costs have soared. Eighty thousand independent truckers have turned in their trucks because profit margins are too narrow to make a go of it. Pay raises are being scrapped and benefits reduced as energy prices rise. Many small businesses have put a freeze on hiring altogether.

Small business is the backbone of this country. By failing to act, we are telling the small-business owners on Main Street to fend for themselves. It is that simple.

If we want our economy to keep growing and maintain our standard of living, we have to have an adequate supply of energy.

There is a lot of work to do. However, the jurisdiction of the Committee on Resources is fairly limited to the energy resources and activities related to public lands.

Unfortunately, these issues are also oftentimes the most contentious and emotional. Technology tax credits for hybrid engines do not seem to invoke the spiritual and philosophical fervor among the different viewpoints that drilling in ANWR does.

While our colleagues on other Committees debate the fun stuff, we on the Resources Committee have to roll up our sleeves, get down in the trenches, and figure out a way to ensure a stable sup-

ply of fossil fuels until other technologies come on-line, which could be decades away.

Finally, we must recognize that energy policy is also an issue of jobs and what type of jobs we want in the future. It is unrealistic to assume that we can rely solely on a high-tech or service-based economy without also paying attention to the engine that drives these sectors.

As in all things, there must be a balance and a little dose of reality. This means that we must admit to ourselves that until the promise of clean, cheap, abundant energy materializes from whatever source—that may be solar, wind or hydrogen—the engine that drives the world’s economy will continue to be almost entirely fossil fuels.

Like it or not, this legislation is a first step in the right direction toward developing a long-term energy policy that will ensure a stable and abundant energy supply for future generations as well as a tool for creating good, high-paying jobs in the energy sector at a time when recession in other sectors such as technology has wiped out trillions of dollars in wealth.

I hope that my colleagues will remember that as we discuss the bill today.

The energy challenges we face are complex. They can’t be met by a single action plan or legislation that comes under a single Committee’s jurisdiction. But I am confident that through conservation, increased research, and increased production, as well as efficiencies in delivery of our energy resources from whatever source that may be, including our public lands, we will meet these challenges.

I want to welcome our witnesses again. I look forward to an interesting and informative debate.

Finally, I request opening statements be restricted to Mr. Rahall and myself. I would encourage members of the Committee to use their allotted 5 minutes for statements and questions. If time allows, we will try to have a second round on most of the questions.

[The prepared statement of Mr. Hansen follows:]

Statement of The Honorable James V. Hansen, Chairman, Committee on Resources

Good morning. Today the Committee will hear testimony on H.R. 2436 the Energy Security Act. We welcome the witnesses to the hearing today and we look forward to your remarks. I am sure that it will be an interesting and lively discussion.

The Energy Security Act was introduced in response the President Bush’s call for a long-term energy policy for our nation. Several months ago, our nation was sent a wake-up call by California that we had failed to prepare an energy infrastructure capable of supporting a 21st century economy. We were expecting major power outages throughout the west and northeast, and long gas lines and outrageous energy bills. While the situation has been somewhat mitigated, there is still a desperate need to implement a comprehensive, long term policy for the 21st Century.

I am afraid that the impacts of the current crisis are just now beginning to be felt in places all across the country. While short-term fluctuations in energy supplies are inconvenient, if we fail to act in a responsible timely manner, our economy will be brought to a grinding halt. Our role should be to clear any unrealistic over-burdensome regulatory obstacles, then get out of the way and allow the markets to work.

This is not a debate between big oil and the working man, nor is it between the big utilities and the suburban homeowners. This is a debate about how we as a nation can reach a balance between responsible development of our known, proven resources and the environment. We will do so in an environmentally responsible way even if those opposed to this legislation will crowd before the cameras claiming that H.R. 2436 opens up all the public lands for development and that our national con-

servation areas, our wilderness areas and national forests and wild and scenic rivers are at risk. This is absolutely false. Instead, I hope that we will have a spirited and honest discussion today and avoid demagoging the energy issue simply to score political points in the short-term.

During the course of this debate we must not forget where our responsibilities lay in the first place. We have a responsibility to the small business owners, the farmers and ranchers, to those that ship our goods, teach our kids and protect our streets to make sure that their hard-earned dollars are not eaten up by skyrocketing fuel costs. We have a responsibility to them to develop a reasonable and realistic energy policy to protect their long-term security. Energy security for our nation is as vital as our national security.

American farmers across the country have suffered because of our lack of an energy policy. Dairy farmers in the San Joaquin Valley have been forced to dump hundreds of thousands of pounds of milk because no cheese plants had the power to take delivery of their milk. Dairy cows don't seem to want to cooperate with rolling blackouts and power contracts at milking time.

Poultry farmers are extremely nervous as summer rolls on. They don't know if the next rolling blackout will last so long that their birds die of heat exhaustion because the circulation fans are shut off.

Higher natural gas prices have driven up the cost of fertilizers and diesel. It has become cost prohibitive to irrigate in many areas of the west. While we can live without radios, tv's and air conditioning, we can't live without food. We should remember this as we discuss the energy policy of this nation.

Small businesses have been hit particularly hard as utility bills and transportation costs have soared. 80,000 independent truckers have turned in their trucks because profit margins are too narrow to make a go of it. Pay raises are being scrapped and benefits reduced as prices rise. Many small businesses have put a freeze on hiring all together.

Small business is the backbone of this country. By failing to act, we are telling the small business owners on Main Street to fend for themselves. It is that simple. If we want our economy to keep growing and maintain our standard of living, we have to have an adequate supply of energy. We should remember this as we discuss energy policy today.

There is a lot of work to do. However, I must note that the jurisdiction of the Committee on Resources is fairly limited to the energy resources and activities related to public lands. However, these issues are also oftentimes the most contentious and emotional. Technology tax credits for hybrid engines do not seem to invoke the spiritual and philosophical fervor among the different viewpoints that drilling in ANWR does. While our colleagues on other Committees debate the fun stuff, we on the Resources Committee have to roll up our sleeves, get down in the trenches and figure out a way to ensure a stable supply of fossil fuels until other technologies come on line, which could be decades away.

Finally, we must recognize that energy policy is also an issue of jobs and what type of jobs. It is unrealistic to assume that we can rely solely on a high-tech or service-based economy without also paying attention to the engine that drives those sectors. As in all things, there must be balance and a dose of reality and that includes admitting to ourselves that until the promises of clean, cheap abundant energy materializes from whatever source that may be, solar, wind or hydrogen, the engine that drives the world's economies will continue to rely almost entirely on fossil fuels.

Like it or not, this legislation is a first step in the right direction toward developing a long-term energy policy which will ensure a stable and abundant energy supply for future generations. Again, we are now witnessing the direct results of relying solely on a high-technology and service-based economy while ignoring other sectors such as the agricultural and extractive industries which are the true creators of wealth in our society.

Therefore, H.R. 2436 will be a tool for creating good, high paying jobs in the energy sector at a time when recession in other sectors such as technology has wiped out trillions in wealth. I hope that my colleagues will remember that as we discuss the bill today.

The energy challenges we face are complex. They can't be met by a single action plan or legislation that comes under a single Committee's jurisdiction. But I am confident that through conservation, increased research and increased production and efficiencies in delivery of our energy resources from whatever source that may be, including our public lands, we will meet these challenges.

I want to welcome the witnesses again. I look forward to an interesting and informative hearing today.

Mr. CHAIRMAN. Mr. Rahall?

STATEMENT OF THE HONORABLE NICK J. RAHALL II, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. RAHALL. Thank you, Mr. Chairman.

Mr. Chairman, I want to first express my appreciation to you for calling this hearing, because we on the Democratic side also recognize the pressing need to fashion a better national energy policy.

We also welcome the debate on what the President has proposed and what we view as needed in this vital area.

With that noted, I must point out that if we were following the President's legislative proposals on energy, the ones that he submitted to this body on June 28th, the only item this Committee would be considering would be opening the Arctic National Wildlife Refuge to oil and gas leasing. That is the only area within this Committee's jurisdiction included in the President's legislative initiatives on energy.

But judging by the legislation that has been introduced by the majority just yesterday, which is the subject of this hearing, that's not going to be the case. We are not going to be considering just the President's proposals.

So this begs the question: Why is the majority so intent on pursuing a broad array of what, with all due respect to the majority, could be viewed as unnecessary, uncalled for, and unjust giveaways that are part and parcel of this legislation?

The effort here, I believe, is to engage in what I call the lightning rod school of legislating. You plop a controversial item like ANWR on the table, you introduce it in a long bill, and then you hope everyone focuses on just that item.

Meanwhile, lying below the surface is a whole bevy of equally contentious items that consequently may escape the same level of scrutiny.

Others today can butt their heads over whether or not the bit of tundra in northeastern Alaska should be leased to energy development. My role will be to expose what is in the rest of the package.

And a central feature is this business of providing relief from the payment of oil and gas royalties to the American people, what I call a royalty holiday—it's July; I know there's a store in Old Town Alexandria that sells Christmas items in July, and we've heard of Christmas in July before. But this is what's happening in this bill under the guise of needing to give companies an incentive to drill.

I must say, at a time when Americans are reading in the newspaper that profits for oil companies are soaring—124 percent increase for Exxon and Mobil, for instance—when there is widespread public criticism that collusion and price-fixing has taken place, and when people still get acid indigestion when they go to pump their gasoline at the gas pump, providing a royalty holiday is simply the wrong message that we need to be sending.

It is just plain wrong. The oil companies do not need a royalty holiday.

And as far as I can tell, the rig count is very robust and the oil and gas drillers are going full tilt and do not need any type of royalty relief, thank you very much.

This is something the market determines in a free-market economy. When demand is there, folks drill. When it is not, they park their rigs.

You know it, we know it, many on the majority side know it as well, the American people know it.

We do not need to rob the Federal Treasury, and the states would share in on-shore royalties, to provide false incentives to drill, especially when royalty underpayments are already commonplace.

The same goes with the royalty in-kind proposal, which is nothing more than a thinly disguised ruse to reduce royalty payments. This proposal would have the Federal Government receiving its royalty in the form of actual crude oil and natural gas.

Federal bureaucrats would then be in the business of marketing oil and gas, joining the ranks of Exxon, Shell, Mobil, and the rest of them. I have never heard of such nonsense.

And this surprises me, coming from the majority at a time when Russia and China are shedding themselves of state-run industries, why, in effect, is an effort being made here to toss the Communist Manifesto into our national energy policy?

But I don't think that is quite the extent of it, if we examine the rest of the package. It is unfortunate but true that this legislation strips the ability of the Forest Service to consent over issuing leases on its lands. It reduces restrictions on drilling in areas protected for critical wildlife habitat, environmental and historical purposes. And it has the American taxpayer subsidize the costs the industry incurs in preparing leasing documents.

Mr. Chairman, at some point in the debate, we as Democrats on this Committee will have an alternative to offer. We do have an alternative energy proposal that we will submit at the proper time. In my view, our alternative will represent a more balanced contribution on matters within this Committee's jurisdiction to overall energy legislation being developed by the House.

We Democrats do not believe we have to short change the American taxpayer and short thrift the environment by doling out royalty holidays to Big Oil and by providing unfettered access to drilling rigs and to environmentally sensitive Federal lands.

Our alternative will recognize the contribution that certain Federal lands can make to our nation's energy mix—already one-quarter of America's oil consumption and over one-third of our natural gas and coal use, while at the same time we recognize that there are environmental and social costs to energy development, which also need to be addressed in any national energy policy.

As I said, and as I conclude, Mr. Chairman, we thank you for this hearing. We welcome the debate energy policy legislation.

And hopefully as a result of this hearing, and perhaps from additional reflection and additional debate on this issue, many of the provisions in the bill that I have highlighted today will have been dropped by the final markup next week.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rahall follows:]

**Statement of The Honorable Nick J. Rahall, Ranking Democrat,
Committee on Resources**

Mr. Chairman, I want to express my appreciation to you for calling this hearing because House Democrats also recognize the pressing need to fashion a better national energy policy. We also welcome the debate on what the President has proposed and what we view as needed in this area.

With that noted, I must point out that if we were following the President's legislative proposals on energy, the ones he submitted to Congress on June 28th, the only item this committee would be considering would be opening the Arctic National Wildlife Refuge to oil and gas leasing. That is the only area within this committee's jurisdiction included in the President's legislative initiatives on energy.

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Others today can butt heads over whether or not that bit of tundra in north-eastern Alaska should be leased to energy development. My role will be to expose what is in the rest of the package. And a central feature is this business of providing relief from the payment of oil and gas royalties to the American people—a royalty holiday—under the guise of needing to give companies an incentive to drill.

I must say that at a time when Americans are reading in the newspaper that profits for oil companies are soaring—an 124% increase for Exxon-Mobil, for instance—when there is widespread public concern that collusion and price fixing has taken place, and when people still get acid indigestion every time they fill their vehicles up at the pump, providing a royalty holiday is simply the wrong message we need to be sending. It is just plain wrong.

As far as I can tell, the rig count is very robust and the oil and gas drillers are going full tilt and do not need any type of royalty relief thank you very much. This is something the market determines in a free market economy. When demand is there, folks drill. When it is not, they park their rigs. You know it. I know it. The American people know it. We do not need to rob the federal treasury, and the States which share in onshore royalties, to provide false incentives to drill especially when royalty under payments are already commonplace.

The same goes with the royalty-in-kind proposal, which is nothing more than a thinly disguised ruse to reduce royalty payments. This proposal would have the federal government receiving its royalty in the form of actual crude oil and natural gas. Federal bureaucrats would then be in the business of marketing oil and gas, joining the ranks of Exxon, Shell and the rest of them. I never heard of such nonsense. And this surprises me coming from the Majority. At a time when Russia and China are shedding themselves of State run industries, why is an effort being made to toss the Communist Manifesto into our national energy policy.

But that is not the extent of it. It is unfortunate, but true, that this legislation strips the ability of the Forest Service to consent over leasing on its lands. it reduces restrictions on drilling in areas protected for critical wildlife habitat, environmental and historic purposes; and it has the American taxpayer subsidize the cost industry incurs in preparing leasing documents.

Mr. Chairman, at some point in this debate Committee Democrats hope to offer an alternative to this legislation. In my view, our alternative will represent a more balanced contribution of matters within this committee's jurisdiction to the overall energy legislation being developed in the House.

We Democrats do not believe we have to short change the American taxpayer and short shrift the environment by doling out royalty holidays to Big Oil and by providing unfettered access to drilling rigs into environmentally sensitive federal lands. Our alternative will recognize the contribution certain federal lands can make to our Nation's energy mix—already one-quarter of America's oil consumption and over one-third of our natural gas and coal use—while at the same time recognize that there are environmental and social costs to energy development which also need to be addressed in any national energy policy.

As I said, Mr. Chairman, we welcome the debate on energy policy legislation. Hopefully, as a result of this hearing and perhaps with some additional reflection, many of the provisions I have highlighted in the bill as being troublesome can be dropped by the time we meet to consider the legislation next week.

The CHAIRMAN. I thank the gentleman from West Virginia, the new Paul Harvey.

[Laughter.]

We are grateful to have as our first witness the Honorable Gale Norton, the Secretary of Interior.

Madam Secretary, we will turn the time to you.

**STATEMENT OF THE HONORABLE GALE A. NORTON,
SECRETARY, U.S. DEPARTMENT OF THE INTERIOR**

Secretary NORTON. Good morning, Mr. Chairman, members of the Committee.

I spoke to you recently about the President's overall energy plan, and today I am happy to return and comment on specific legislation addressing portions of the plan that require legislative changes.

The President's national energy proposal dedicates more than half of its recommendations to increasing energy efficiency and conservation, encouraging the development of fuel-efficient vehicles, and encouraging renewable energy with tax incentives.

The plan provides stability to what might otherwise be an uncertain energy future. It diversifies our energy supplies in the long run. In the nearer term, it provides assurances that traditional domestic energy sources will be available.

Stabilizing our current energy situation by utilizing American ingenuity and emerging technology, is just one part of our effort to address energy needs.

There are some aspects of the President's energy plan that can be addressed and implemented without legislative changes. And we are going forward with a number of those.

For example, today the Department of Interior is announcing that it will bring state and local officials together with industry leaders and other citizens for a renewable energy summit this fall. The summit will focus on ways to maximize wind, solar and geothermal energy production on public lands to help stabilize our nation's energy needs.

Already, Federal lands provide geothermal energy sufficient to serve 570,000 homes, and wind energy enough for 87,000 homes. This, we believe, will be a head start on H.R. 2436's provisions to improve geothermal leasing. And we look forward to moving forward with the information that we have learned to implement the provisions of H.R. 2436.

Americans have a core belief in American ingenuity. American ingenuity is a major factor in everything from our military victories and status as the only remaining Superpower to our development of cures for once-deadly diseases and our ability to vastly improve our air and water quality.

American ingenuity is directly tied to our technological advancements. Nothing puts our nation's skills to test like a challenge, a challenge like the one we face today to ensure a comprehensive energy future. This ingenuity is already hard at work.

For example, since 1985, energy producers in the Gulf of Mexico's Outer Continental Shelf produced more than 5 billion barrels of oil. Thanks to American ingenuity and high-tech advances, of that amount, only .001 percent, just one-one-thousandth of a percent,

was released into the ocean. By comparison, naturally occurring oil seeps in the shelf release 150 times more oil than OCS production.

President Bush addresses the need to keep our economy moving forward with good jobs and our determination to protect our environment. The underlying basis of this report is that our energy problem is inextricably tied to each of our lives.

For example, we are concerned that household budgets can be stretched to the limits by high winter heating and summer air-conditioning bills and increasingly expensive trips to the gas station. What difficult choices are families forced to make? Whether or not to maintain the family car? Buy new back-to-school clothes?

Rising energy costs also affect the budgets of our schools and hospitals. They affect our national prosperity and the availability of jobs.

Planning for long-term availability from traditional and nontraditional sources can shield America's families from these impacts.

The administration supports H.R. 2436 and urges the Committee and Congress to act expeditiously on this bill.

We want to address short-term concerns about high energy costs through the LIHEAP program. The President has directed Interior to seek authority to redirect oil and natural gas royalties to the Low-Income Home Energy Assistance Program. This program helps low-income families heat their homes in the winter. The President strengthens the LIHEAP program by investing \$300 million more than the fiscal year 2001 appropriation.

H.R. 2436 would allow the use of oil and gas royalty payments to bolster LIHEAP funding. We appreciate your support of this very important program.

The President has also directed Interior to work with Congress to develop legislation that authorizes environmentally safe leasing of oil and gas in the Arctic National Wildlife Refuge.

The President's plan emphasizes that Congress should require the use of the best-available technology and ensure that energy production activities protect the ANWR environment. This bill accomplishes those goals.

I have visited ANWR again, since my last testimony here. I have now seen ANWR in both the summer and the winter. There are high-tech approaches that are being used on the North Slope.

For example, ice roads used in the winter do indeed melt away in the summer with minimal impact. I was surprised to find out that one road I had seen in the winter turned out to be on the surface of the Arctic Ocean. So clearly, when that melts way, there is no impact.

I saw the caribou from the central Arctic herd, which is the one that is in the Prudhoe Bay area. The Porcupine caribou herds' caribou were not in ANWR at all. They had calved in Canada.

This is a unique area, and it is appropriate that we use the standards that are the most stringent in any energy regulatory statute. And that is exactly what is found in H.R. 2436.

The administration supports tough regulation like that found in this legislation.

The President's budget calls for a 50-50 split of lease revenues from ANWR. The President's plan provides that the Federal share of the ANWR receipts would go toward two funds, one for renew-

able energy research and development, and another dedicated to the maintenance and improvements of public lands.

Our country faces a national energy problem, but I believe it can and will be managed. Working with Congress, the Bush administration is committed to finding workable solutions that improve our national energy problem.

American ingenuity has never let us down in the past. And by acting wisely today, it will help us provide for future generations.

Thank you.

[The prepared statement of Secretary Norton follows:]

Statement of The Honorable Gale Norton, Secretary, U.S. Department of the Interior

Mr. Chairman, members of the Committee, it is a pleasure to be here again to discuss the President's "National Energy Policy" report, and to present the Administration's position on H.R. 2436, the proposed Energy Security Act. The Administration supports H.R. 2436, and would like to work with the Congress as it moves through the legislative process to address a few concerns we have with the bill as currently drafted. The legislation before the Committee today, while not identical to the Administration's National Energy Policy, advances these goals, and we would like to work with the Congress to bring this bill more closely into conformance with the Administration's Policy.

The need for a national energy policy becomes clear when you look at the numbers. Take clean-burning natural gas, for example. Over the next 20 years, U.S. natural gas consumption has been projected to grow by more than 50 percent while production will grow by only 14 percent if it grows at the rate of the last 10 years. U.S. energy production is not keeping up with our growing consumption, creating a rapidly increasing gap between domestic supply and demand.

Energy reserves contained in the lands and offshore areas managed by the Department of the Interior are an important source of potential energy production. The Department of the Interior manages energy production on all Federal lands, both onshore and the Outer Continental Shelf (OCS). These Federal lands provide nearly 30 percent of annual national energy production. In the year 2000, 32 percent of oil and 35 percent of natural gas were produced from Federal lands. In addition, Federal lands produced 37 percent of domestic coal production and 48 percent of geothermal energy production in 2000. Federal lands are also estimated to contain significant undiscovered domestic energy resources. Estimates suggest that these lands contain approximately 68 percent of all undiscovered U.S. oil resources and 74 percent of undiscovered natural gas resources.

The Department also owns and operates hydro power facilities in the 17 western states. These facilities produce about 16 percent of all the hydro power in the United States.

President Bush has developed a balanced plan to produce more reliable, affordable and environmentally clean energy that is built on three principles:

- * It is comprehensive and forward-looking.
- * It utilizes 21st Century technology to promote conservation and diversify supply.
- * And the plan will increase the quality of life for Americans by providing reliable energy and protecting our environment.

The President's plan calls for increasing domestic energy production, seeks to improve the aging energy infrastructure network by creating a new high tech energy delivery network and promotes energy conservation. It is important to point out that more than 50 percent of the President's plan focuses on energy efficiency, encouraging the development of fuel efficient vehicles and encouraging consumer conservation. The President's plan proposes new tax incentives to help increase the contribution that alternative and renewable energy can make to our nation's energy supply.

President Bush has directed his Administration to work with the Congress to develop comprehensive legislation that would help those with low-incomes pay higher energy bills, stabilize our current situation, while seeking those new resources and technologies to support our energy needs for the future.

The President directed The Department of Interior to seek authority to redirect a portion of oil and gas royalties to the Low Income Home Energy Assistance Program whenever oil and natural gas prices exceed pre-set trigger prices.

The President also directed us to work with Congress on legislation. authorizing the leasing of oil and gas in that portion of the Arctic National Wildlife Refuge (ANWR) defined as the Coastal Plain in section 1002 of the Alaska National Inter-

ests Lands Conservation Act. The President's plan emphasizes that Congress should require the use of the best available technology and require that energy production activities have no significant adverse impact to the environment in the ANWR 1002 area.

The President has also proposed incentives to increase geothermal, coal and hydro power development that will enhance expeditious production of those resources, and royalty in kind provisions that will help us with the administration of our royalty in kind program.

All of these steps are needed to solve the energy problems facing our country, and to secure our energy supply while protecting the environment.

Please allow me to briefly address several aspects of the President's Energy Plan.

The Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program (LIHEAP) is a federal block grant program that helps low-income consumers pay their energy bills. It is the nation's core program for targeting home energy subsidies to low income households with vulnerable members (the elderly, disabled, or young child) and households with the lowest incomes and highest energy costs. Last winter, 1.2 million more American families applied for LIHEAP assistance to pay their heating bills, bringing the total to more than 5 million American families—up by 30 percent over last year's 3.9 million applicants. As many as 3.6 million families in eighteen states and the District of Columbia risk being unable to pay their bills and having their energy cut off because of the effects of rapidly increasing energy costs. The low-income elderly are particularly vulnerable to disruptions in energy supply.

The President's National Energy Policy includes strengthening LIHEAP by making \$1.7 billion available annually, and the Administration has recently proposed a supplemental request that would increase fiscal year 2001 funding by \$150 million. H.R. 2436 would authorize the Secretary of the Interior to use royalty in kind oil or gas for providing additional resources to LIHEAP.

As part of its support for LIHEAP, the National Energy Policy recommends that Congress enact legislation that would allow the use of oil and gas royalty payments to bolster LIHEAP funding whenever oil and natural gas prices exceed certain prices. Specifically, a limited portion of royalties should be provided by the Department of the Interior to the Department of HHS's LIHEAP program as a cash payment, when oil and natural gas prices both exceed a certain trigger price. The Administration wants to work with the Congress to determine the appropriate trigger prices or the formula for determining them.

The Arctic National Wildlife Refuge

As you know, The President is proposing to open the 1002 area, a small fraction of the 19 million acres in Arctic National Wildlife Refuge (ANWR) for oil exploration using the most high-tech, environmentally responsible methods. The President and I both believe that oil and gas development can successfully coexist with wildlife in Alaska's arctic region.

Our support for enactment of authority to lease oil and gas resources in ANWR is a prime example of the Department's dual commitment to energy development and environmental conservation. We recognize that the ecological resources of the Refuge are unique and precious. We must respect and conserve this wealth for future generations of Americans. However, because of advances in technology and in our enhanced understanding of the ecology, we are now able to proceed with exploratory work with very little long-term effect.

Further, the President's proposes that the Federal share of ANWR revenues should be earmarked for two new permanent funds to promote renewable energy technology and improve our national parks and public lands. Specifically, the National Energy Policy calls for 50% of the bonus revenues to be dedicated to renewable energy technology research and development, and that the Federal share of the royalties be dedicated to conservation and elimination of the maintenance and improvements backlog on federal lands. Use of the revenues from ANWR leasing for these purposes would pay permanent dividends to the American public by lowering the costs of developing renewable energy resources and identifying new resources, and by restoring and protecting wildlife habitat on public lands and addressing facility and site maintenance and improvement needs at National Parks, Refuges and Forests and on other recreation lands managed by the Federal government.

I do want to emphasize that the Administration supports the strong environmental protections provisions that are included in the pending legislation. Section 707 of H.R. 2436, entitled Coastal Plain Environmental Protection, establishes an environmental standard of no significant adverse effect on fish and wildlife, their habitat, and the environment. Section 707 also requires the application of the best

commercially available technology for oil and gas exploration, development, and production. These would be the most stringent environmental protection requirements ever applied to Federal energy production.

Section 707(d) of H.R. 2436 requires the leasing program, among other things,—

- to set seasonal limitations on exploration, development and related activities, where necessary, to avoid significant adverse effects during periods of concentrated fish and wildlife breeding, denning, nesting, spawning, and migration,
- to limit exploration activities, except for surface geological studies, to the period during which ice roads, winter trails with adequate snow cover, ice pads, and ice airstrips could be used,
- to design standards for all pipelines and roads that minimize adverse effects on passage of migratory species, such as caribou, and on the flow of surface water,
- to require consolidation of facility sitings, and
- to require stringent reclamation and rehabilitation standards.

While this title provides a good, safe and environmentally sound arrangement for leasing in the 1002 Area of ANWR, it attempts to accomplish this under the structure of the Mineral Leasing Act. Under that Act, 90% of the bonus, rent and royalty revenues are distributed to the State of Alaska and 10% to the U.S. Treasury. We recognize the historical antecedents of the 90%–10% distribution. However, the legislation of two decades ago authorizing the oil and gas leasing program in the National Petroleum Reserve–Alaska provides for a 50%–50% split of lease revenues between the State and the Federal government. We believe that the 50%–50% division of revenues should also apply to leasing in ANWR.

OCS Lease Sale 181

I'd like to take a minute to bring you up to date on the actions we have taken with respect to Lease Sale 181 in the Eastern Gulf of Mexico. I recognize that this sale, and the OCS program in general, is of great interest to members of this Committee. The OCS provides more than 26 percent of the natural gas and 25 percent of the oil produced in the United States. The Minerals Management Service (MMS) administers about 7,500 active leases on 40 million acres of the OCS. In addition, the OCS contains about 19 percent of the Nation's proven natural gas reserves, 18 percent of its proven oil reserves, and is estimated to contain more than 50 percent of the Nation's remaining undiscovered oil and natural gas resources.

On July 2, 2001, we proposed a Notice of Sale for oil and natural gas production in a portion of the Outer Continental Shelf in the Eastern Gulf of Mexico, also known as Sale 181. This area was first proposed for possible lease sale by Interior Secretary Babbitt and President Clinton after negotiations with Florida Governor Lawton Chiles and other coastal governors in 1997.

As part of determining the area to be offered, we listened and worked carefully with officials and affected citizens around the Sale 181 area. I believe the outcome is a balanced and common sense proposal consistent with the President's National Energy Policy. Our modified 181 area has been adjusted from 5.9 million acres to 1.5 million. The adjusted area is at least 100 miles from any portion of the Florida coast. For example, it's northern border is more than 100 miles from Pensacola, Florida and the eastern edge is 285 miles from the shores of Tampa Bay.

The proposed 181 Area will help expand our domestic sources of oil, and reduce our dependence on foreign oil. The proposal also works to meet the President's commitment to develop our nation's energy needs in an environmentally safe way. The Department projects the adjusted area contains 1.25 trillion cubic feet of natural gas—enough to serve one million U.S. families for 15 years. The area also contains 185 million barrels of oil—enough to fuel the automobiles of a million families for nearly six years.

Other Recommendations

While we believe the Committee has done an excellent job in putting together a bill that will ensure increased environmentally sound production of energy from our public lands, we have a few more concerns with the bill as introduced, and want to work with the Congress to address them as the legislation moves forward.

We have concerns about the potential cost of extending the Deepwater Royalty Relief Act provisions for two years. I understand that the Minerals Management Service has stated that there is no longer any need to provide incentives for production of oil and gas in water depths of less than 800 meters. I have also heard from industry that those incentives are in fact needed to sustain and increase the production levels of oil and gas that we have seen since enactment of the Deep Water Royalty Relief Act in 1995. Whatever is done in the short run, it does appear appropriate

to ask the National Academy of Science to look into this issue, so that we can do what is best for the nation's long-term energy security.

We have a technical issue to point out as well. Currently, under section 27 of the OCS Lands Act, the Secretary of the Interior has the authority to transfer royalty in kind oil without compensation to the Department of Energy for the filling of the Strategic Petroleum Reserve. In both 1999 and 2000, the Secretary of the Interior exercised this authority. The exercise of this authority should obviously be limited to times of extreme national need, recognizing that the cost to the Treasury is usually significant. We recommend that H.R. 2436 be amended to retain our current section 27 authority.

The bill authorizes the United States Geological Survey to establish and operate regional technology transfer centers that would conduct oil and natural gas exploration and production research and archive and provide public access to data regarding oil and natural gas reserves and production. I understand that the Department of Energy currently has similar authority, and I ask that this provision make clear that these centers are not intended to duplicate efforts already underway by DOE.

We look forward to working with you on these and any other concerns that arise as the bill moves through the legislative process.

Conclusion

Mr. Chairman, while the challenge facing us is significant, it is not insurmountable. By building on new 21st century technologies, this country can produce ample domestic resources while enhancing and protecting the environment. I look forward to working with this Committee and others in Congress to implement Interior's pieces of the President's National Energy Policy.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or members of your Committee might have.

The CHAIRMAN. Thank you, Madam Secretary. We appreciate your comments.

We will now go for questions.

Mr. RAHALL?

Mr. RAHALL. Thank you.

The CHAIRMAN. I have to limit everyone to 5 minutes, strictly to 5 minutes. We are going to be here all day unless we do that.

Mr. RAHALL. Thank you, Mr. Chairman.

Madam Secretary, the bill that is the subject of today's hearing contains a provision requiring that the development of leases issued within the Coastal Plain be subject to what is known as project labor agreements.

What is the administration's position on this requirement?

Secretary NORTON. This provision was negotiated between Congress and the unions, and so we have not been directly in those discussions. We do not object to those provisions.

Mr. RAHALL. The administration supports the project labor agreements in this legislation?

Secretary NORTON. We do not object to those. And we believe that the legislation should be adopted.

Mr. RAHALL. Okay.

The bill contains two royalty relief provisions, one allegedly for OCS deep water leases and a general provision, which our analysis shows is not limited to marginal wells, as is being advertised. Your testimony noted some concern over extending the deep water royalty holiday, and I am looking for something more definitive.

In that regard, on June 28, 2000, then-candidate George Bush attacked Al Gore for his support for extending the deep water providing royalty relief program. And I have that full press release here in front of me.

At the time, candidate Bush stated, and I quote, "I look forward to hearing his explanation as to why big gas producers ought to be given a royalty tax break."

So my question to you, Madam Secretary, does the administration still hold that view? Is the administration outright opposed to the inclusion of deep water royalty relief in this legislation?

Secretary NORTON. Our administration has had the experience of going forward with leasing in the Gulf of Mexico with reduced royalty provisions that provided royalty relief only in the 800 meter and deeper water. And we found that we had a higher response to that lease sale than what we expected and what we had to lease sales in the past.

And so while we think that this issue in the long run is best resolved by the suggestion to have a study so that we really have a solid basis for making those decisions, we believe that at the current time our existing authority to allow some royalty relief is sufficient. And so we would like to see changes in the provisions that are in this legislation that would mandate royalty relief in shallower water.

Mr. RAHALL. Is it accurate then to say that earlier this year you rejected—rejected—the need for continuing royalty relief under the 1995 Deep Water Royalty Relief Act?

Secretary NORTON. That is correct. While we do provide some royalty relief for deeper water, it does not appear to be necessary for the areas where production is already taking place, where we understand the technology, and where we are utilizing essentially routine approaches in going forward with production.

Mr. RAHALL. So today you are saying you do support some royalty relief?

Secretary NORTON. In more than 800 meters' depth.

Mr. RAHALL. Okay. Thank you.

Mr. Chairman, I have no more questions right now.

The CHAIRMAN. I thank the gentleman.

We are not just going to take everybody for 5 minutes. It is going to take us all day.

On the Republican side, raise your hand if you have questions for the Secretary.

Mr. Tancredo is recognized.

Mr. TANCREDO. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for coming today. And I want to really commend you for your outstanding work on this legislation.

I remind my colleagues that some of these proposals we see today were on the table during the previous administration. And rather than taking leadership, we saw only procrastination.

The proposal is about all the issues that our former Secretary of Interior did not want to approach, even though it is painfully clear that energy issues needed attention in that administration, the Clinton administration, which they never received. Just because something is controversial does not mean it can be ignored.

And now, with new and strong local leadership by the President and my friend from Colorado, Secretary Norton, these issues have been brought before the Congress again.

Secretary Norton, I think often taxpayers forget that in addition to their income tax are gas taxes, estate taxes, et cetera; the Fed-

eral Government draws a significant amount of revenue from oil and gas royalties and lease payments.

But in addition to the important revenue, this legislation is full of what appears to me to be some important administrative cost savings, both on the side of the private companies and within the Department of Interior. I am thinking specifically of Title II, Subtitle C, which contains the royalty in-kind provisions and the cost-sharing programs with the state geologic surveys.

Would you expand upon some of the potential cost savings? And also, do you think this legislation is a net gain for the country fiscally? And if so, at what magnitude?

Secretary NORTON. I do believe that this approach will allow us to be more efficient in our regulation. It basically will require us to look at the ways in which we can make our process operate in a way that is going to make more sense, to look across the board at what our leasing processes are, at what standards are applied, and make sure that those really fit the situation that we face.

The royalty in-kind provision is one where I think we can see some efficiencies. And I think as we learn through time, we can go to a much more efficient kind of process.

The approach that we use right now is trying to estimate and to appraise and to hypothesize what the price is on the oil and gas that is produced from our Federal lands. The royalty in-kind approach basically says, put it on the market, sell it; that's the way to find out how much it is worth.

And so we have gone through tremendous efforts trying to decide what the valuation is of our oil and gas. And I think it would more efficient and recognizes that we have a much more competitive marketplace for natural gas marketing especially. And this allows us to take advantage of the pricing efficiencies that come from having the marketplace set those prices.

Mr. TANCREDO. Thank you, Madam Secretary. I have no other questions.

The CHAIRMAN. The gentleman from California, Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

And, Madam Secretary, welcome to the Committee.

Madam Secretary, really since the Exxon Valdez oil spill, I have been involved in really active oversight on the operations of this system.

As we tragically learned in the Valdez oil spill, this system isn't just at Prudhoe Bay. This is a system that really runs from the Arctic Circle all the way down to southern California or further, wherever the tankers and the pipelines and others take us.

And I have been involved with Alyeska and the corporations and others in constant meetings about upgrading and improving this system. And I don't want to pretend for a moment that those companies do not take this in a very serious light, because they have dedicated hundreds of millions of dollars to doing this and have responded to inquiries from myself and Chairman Dingell and others in an ongoing basis.

But again yesterday, we read in the paper again about a series of concerns raised by employees on the Arctic Slope, questions of malfunctions and the readiness of very important valves with respect to blowouts and spill containments.

And I just wonder what we can expect from your office in the way of increased oversight. I don't think, if we are going to expand this system—I don't happen to agree with that—but if you are going to expand this system for another 20 or 30 years, if there isn't something done to increase public confidence in the operations of this system—because obviously we know when things go bad in this industry, they can go bad quickly and in a very big way.

And I wondered, can you enlighten us as to what we might expect in terms of oversight from your office under the joint authority?

Secretary NORTON. The approach that we would use would be having Federal regulators who would oversee any of the production activities on Federal lands. The discussion in the newspaper was about the production that is taking place on state lands.

Mr. MILLER. Right.

Secretary NORTON. And we would certainly expect that we would have stringent standards in place and that those stringent standards—

Mr. MILLER. With respect to the offshore and national petroleum reserve and pipeline, I assume you are talking about?

Secretary NORTON. On all of those things, and wherever we have—the things that we are talking about—

Mr. MILLER. Would you put—

Secretary NORTON. —in terms of the expansion—

Mr. MILLER. Would you put that in the category of increased oversight by your office or the status quo?

Secretary NORTON. My understanding was you were talking about—

Mr. MILLER. The report also raised the questions about the right to do surprise visits, whether or not rigs were doctored and dealt with before the inspectors came along. We know, you know, that is not exactly the best way to do oversight.

Secretary NORTON. On the Federal side, on the Federal lands that are on the North Slope, we would expect to have a high level of scrutiny, including surprise visits. We have two inspectors that are already operating in the NPRA area that has only exploratory wells at this point in time.

So we are already at a high level of scrutiny and expect to increase that level of scrutiny.

Mr. MILLER. If I might, Madam Secretary, I would like to follow up in correspondence with you for some questions as a result of this hearing.

Mr. Chairman, if that is all right, if I could forward those on that topic?

The CHAIRMAN. Without objection.

Mr. MILLER. Thank you.

On another matter, the legislation before us designates the 1987 study, the 1002 report, as being adequate for discussions of environmental impacts. And I just wondered whether or not you concur with that or the administration concurs with that.

Most members of this Committee weren't in Congress when this report was done. We have obviously had 10 years of additional experience, and clearly this report was done before the Exxon Valdez,

which brought into focus the nature of this system, the length of the system, and the consequences of it.

And I just wondered whether you support the notion that we are going to designate this as adequate or whether you think there should be an update of this report, with respect to cumulative impacts; with respect to some of the issues of water usage that have been raised; and obviously, the off-site impacts from additional drilling with respect to the age of the pipeline, those issues that are raised; and the shipments?

Secretary NORTON. I think it is important to note the very limited way in which that report would be utilized, and only at the very beginning stages. As we move forward toward actual impacts taking place, there would be additional studies that would be—

Mr. MILLER. But that report, we understand why this is being done. That report is key to going forward in a rapid fashion. I am asking whether or not that key, which is the linchpin in terms of moving forward with rapid—and that is clearly what the sponsors want to do—whether or not you believe that is adequate or whether or not you believe there ought to be an attempt to make some update based upon what we have learned over the last 15 years?

Secretary NORTON. Under the existing H.R. 2436, there would be additional studies before there are actual impacts on the ground. And I think that through those studies, we would see the advances in technology that have taken place in the 15 years since that original study was done, and to see that the environmental impacts can be further minimized as a result of the newer technology.

The CHAIRMAN. The time of the—

Mr. MILLER. Mr. Chairman, I would make same request with respect to this topic, if I might—

The CHAIRMAN. Without objection.

Mr. MILLER. —as a result of this hearing, forward questions to the Secretary.

Thank you, Madam Secretary.

The CHAIRMAN. The gentleman from Maryland, Mr. Gilchrest.

Mr. GILCHREST. Thank you, Chairman.

Good morning, Madam Secretary. Welcome.

Three quick questions that you may be able to answer now or maybe we can correspond on these later.

One is, I am Chairman of the Subcommittee that has jurisdiction over wildlife refuges, and what we will be doing over the course of the next few months is to hold hearings on existing oil and gas leases on some of those refuges to see the type of oversight that has been used and to ensure that those existing oil and gas leases are living up to Americans' expectations of environmentally sensitive and so on and so forth. And we would just like to see what oversight existing authority and the previous administration has in those areas. So sort of a heads up on that.

Number two, could you tell us where geothermal, hydropower, and maybe even wind and solar, are promising on our Federal lands?

And the third is, you mentioned technological advances and American ingenuity, which are, I think, two characteristics that have made this country great. But in that process, technological advances and American ingenuity, when you go through this seminar

this fall dealing with alternative energy sources, will it go beyond geothermal, hydropower and so on to possibly a rapidly promising technology known as a fuel cell, of which, I understand, in the next couple of years it is possible to run all of your electrical needs in your house with one of these devices, and within 10 or so years, the kinks will be out of the technology so that it will become mobile. In other words, in less than 20 years, we could be operating vehicles with long lives with fuel cells.

Secretary NORTON. The fuel cell technology is indeed exciting. That is something that primarily the Department of Energy is pursuing. And while we would look forward to working with Energy on the conference that we are proposing, this conference would be based primarily on the public lands opportunity to contribute to—

Mr. GILCHREST. I understand that. And your jurisdiction is the public lands and hydropower and geothermal and wind and solar and things like that.

But with American ingenuity, the crossover of technologies from one department to another—I think it is sort of an American characteristic to look at other sources other just your area of jurisdiction.

You may not have the authority to do that, and I don't know how the Secretary of Energy feels about that, but it just seems that some of these aquaculture fish farms out west could depend a little bit on geothermal and wind and solar and things like that.

But the promising technology other than those would be interesting to build into the mix.

Secretary NORTON. We are working with the Department of Energy on using advanced technologies within our parks and within other activities that we undertake. We have alternative fuel vehicles in a number of our parks.

So we are really trying to work with them to use ourselves as an experimental population to help in the advancement and development of some of these things.

Mr. GILCHREST. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

The past Chairman of the Committee, Mr. Young, has now joined us.

And, Mr. Young, we would like to present to you a present, whether you want it or not.

[Laughter.]

Would you hand Mr. Young his present, please?

I am going to tell you what it is; it is a pair of custom-made boots and it took forever to have those made for you because of the odd shape of your foot.

[Laughter.]

But anyway—

Mr. YOUNG. Well, thank you, Mr. Chairman. This is indeed a surprise. I am a little reluctant to open them.

I hope they are hip high—

[Laughter.]

—because a lot of times in these hearings, we hear a lot of stuff that gets over the low-cut loafers, I can tell you that right now.

[Laughter.]

The CHAIRMAN. You are in for a disappointment.

[Laughter.]

Mr. YOUNG. I do appreciate this. And I will cherish them, wear them, and use them when they're appropriately needed, with the sharp-pointed toe where it really belongs.

[Laughter.]

Thank you, Mr. Chairman. I do appreciate it.

The CHAIRMAN. They were made that way with that in mind.

[Laughter.]

And members of this Committee have chipped in to buy those for you.

Mr. YOUNG. And I hope they understand that I do deeply appreciate it.

The CHAIRMAN. Okay, we thank you.

With that in mind, Mr. Kildee?

Mr. KILDEE. Thank you, Mr. Chairman.

And I thank you, Mr. Young, for what you do.

Mr. YOUNG. I deeply appreciate your contribution.

[Laughter.]

Mr. KILDEE. In conjunction, Madam Secretary—thank you for being here again—with Mr. Gilchrest's question, I think it is very important that the departments of the executive branch do not operate in isolation. I am sure that you concur in that yourself.

But it seems that the Department of Energy, the Department of Interior, and the Department of Treasury all play a vital role in the future energy needs of this country. And I certainly hope that is formalized in some way because you should be talking one to another because you have interrelated solutions, I think, to the energy needs of the country.

As co-Chairman of the congressional automotive caucus, I am disappointed that the administration has been so timid on the question of fuel efficiency, not just CAFE standards but such things as tax credits for both R&D in the automotive industry, for alternative energy sources, tax credits for the customer who would purchase such vehicles, such as a vehicle with fuel cells.

And I agree with Mr. Gilchrest that the future of fuel cells, both for mobile and stationary sources, is very, very promising. I have talked to some of the power companies in the country who indicate that some of them could have something the size of a refrigerator in one's backyard that, with the fuel cells, could produce the energy for that home.

So I think that the fuel cells, both the for the automotive industry and for other sources of energy, is very, very important.

But I think that we should emphasize some incentives for that, and tax credits are a great way to deal with incentives, both for the customer who purchases that vehicle and for the automotive industry that has to spend a great deal of money on research.

We do allow some write-offs for R&D. Certain research and development has a great societal purpose. And I think right now the societal purpose of fuel efficiency is very high.

So I would hope that you would talk with people in the administration and the Treasury on increasing tax credits, both for R&D and for the purchasers of some of the hybrid vehicles.

I have driven hybrid vehicles, both at the Ford Company and General Motors and at Chrysler, which is located in my district. And I think the future is here, right now, with some of those vehicles.

So I was disappointed that the tax bill that went through the House rather rapidly did not address that. But I would just commend you, as Secretary of Interior, to counsel with others in the administration, particularly the Treasury and the Department of Energy, to put together an energy package that includes with less timidity fuel efficiency and encouraging alternative sources.

Secretary NORTON. The President's plan does include a tax credit for consumers who purchase automobiles that are fuel efficient alternative energy types of automobiles. And so that portion of your suggestion is a part of the President's plan.

There are also additional Department of Energy efforts in working with companies on development of new technologies. I am not as familiar with that portion of the plan as I am with the ones that deal directly with Interior. But the spirit of your remarks is reflected in the President's plan.

Mr. KILDEE. I appreciate that, and I hope the President will push that and pursue that. I wish he included that on the tax bill, because that was really greased up to pass, if I may use that term.

But thank you very much, Madam Secretary.

The CHAIRMAN. The gentleman from Nevada, Mr. Gibbons.

Mr. GIBBONS. Thank you very much, Mr. Chairman.

And, Secretary Norton, welcome. Pleased to have you here before us today.

And I know there are many on this Committee and throughout Congress who are going to criticize your organization for slowness in getting things done, but we understand, and I hope they will understand, the critics especially, that staffing levels have been held up by the leadership in the Senate. And so it is difficult to have an agency running at full speed without everybody on board.

I have just two questions that I want to enter into the record, if I may, Madam Secretary.

Your statement didn't mention a provision within the bill which is an outgrowth of a recommendation from a group established by your predecessor, Secretary Babbitt. It is called the Green River Basin Advisory Council. It consisted of state and local officials, environmentalists, and industry people.

And one of the ideas that they came forward with was to allow lessees to pay for cumulative impact studies when the BLM lacked sufficient appropriated funds to get the job done in an early and timely fashion, to help remove some of the delays.

In return, the lessees would then receive a credit against future royalty obligations for money they put up for third-party prepared studies done to BLM specifications, for the BLM, of course.

But the solicitor at the time, and that would be Mr. John Leshy, said that the Secretary lacked authority under the Mineral Leasing Act to grant an eco-credit. Of course, when we offered him the authority in legislation, Secretary Babbitt then declined that authority.

Do you have any thoughts about this concept?

Secretary NORTON. The need for environmental planning and environmental analysis is obviously critically important to ensuring that we go forward with any development activities in an appropriate way. And it does make sense to ask that we do allow that money, instead of coming directly from the taxpayers to pay for that, to essentially be put forward by the applicants.

Mr. GIBBONS. One final question, if I may, we have advanced the idea of MMS collecting royalty in-kind natural gas volumes from the Gulf of Mexico leases, and perhaps some onshore fields, like the Powder River basin coal bed methane or the San Juan basin, and designing a pilot program with the HHS folks to actually send that product or those molecules to the LIHEAP-approved utilities which serve low-income qualified households.

Does the language in this bill provide you the flexibility necessary to do such a demonstration program?

Secretary NORTON. We have been doing some pilot testing of royalty in-kind already, on a more limited basis, in Wyoming, Texas, and the Gulf of Mexico. And we are now building on that.

I think this bill does allow us the flexibility to do the type of LIHEAP program that you are talking about. And we will certainly work with you to make sure that it does allow that type of flexibility.

Mr. GIBBONS. Great. Thank you, Madam Secretary.

Thank you, Mr. Chairman.

The CHAIRMAN. On the Democratic side?

Mr. DEFAZIO. Here, Mr. Chairman.

The CHAIRMAN. The gentleman from Oregon.

Mr. DEFAZIO. Madam Secretary, on page 2 of your testimony you point out that "more than 50 percent of the President's plan focuses on energy efficiency, encouraging the development of fuel-efficient vehicles."

Could you please tell me, what is the measure? Is it 50 percent of pages, 50 percent of the tax credits, 50 percent of the energy that we are going to capture through this plan? What is the measure? What is 50 percent?

Secretary NORTON. We counted the recommendations and half of them dealt with that.

Mr. DEFAZIO. Okay, so half of them dealt with it. What percentage of the energy gained is going to come from those 50 percentage of the recommendations rhetorically?

Secretary NORTON. I have not quantified that.

Mr. DEFAZIO. Okay. So wouldn't that be a more important measure since over the last 20 years we have captured four times more energy through efficiency measures than increased production measures?

Secretary NORTON. Well, I apologize. It is a little simpler for us to count the number of recommendations.

Mr. DEFAZIO. Right. Okay, well, at least we know what we are measuring here.

I am a bit puzzled by one of the earlier questions of Mr. Rahall, in particular, about project labor agreements, and I happen to be a big supporter of them. I think they are a very efficient, effective way to administer projects.

However, you said the administration has no objection to the Republican bill which would require only in Alaska project labor agreements.

Now, I kind of wonder how that jibes with the February 17, 2001, executive order by the President of the United States where he says: "shall ensure that neither the awarding government authority nor any construction manager acting on behalf of the government shall in its bid specifications reject agreements, project agreements or other controlling documents." That is a special executive order rescinding the Clinton administration order mandating project labor agreements, that were ballyhooed by the President.

I guess I have a two-part question.

One is, you said you have no objection. Do you support project labor agreements in this or does the President, notwithstanding his earlier executive order prohibiting them?

And secondly, if it is good for Alaska, why isn't it good everywhere else?

Secretary NORTON. As I said previously, this was not a portion of the President's plan. It was something that was negotiated by Congress, and we do not object to it.

Mr. YOUNG. Will the gentleman yield?

Mr. DEFAZIO. Well, I don't have a lot of time, Don. You have lots of time.

Well, I will yield to you.

Mr. YOUNG. I would just like to suggest to you that you know why it is in the bill.

Mr. DEFAZIO. Yeah, because you wanted it in there.

[Laughter.]

Mr. YOUNG. That is exactly right.

[Laughter.]

Mr. DEFAZIO. Okay.

Mr. YOUNG. I admit it, I accept it, and thank you a lot.

Mr. DEFAZIO. Couldn't you want it somewhere else?

[Laughter.]

Mr. YOUNG. Remember, my job is to take care of my people, and I am doing it.

[Laughter.]

Mr. DEFAZIO. But we would like to take care of working people everywhere. So if the gentleman would like to extend it to the lower 48, I would be thrilled to support that effort. So we will talk about that later.

Further, on the issue of the Arctic National Wildlife Refuge exploration and drilling, I wonder if the administration would support restoration of the prohibition on the export of oil from Alaska, in supporting the Arctic National Wildlife Refuge exploration and drilling.

That is, assure the people of the United States that if there such a crisis in the United States of America that we have to go into this previously wild and pristine area to drill, that that oil is not going to China or Japan or somewhere else, that that oil would remain in the United States, which was the law until 1996, which unfortunately was passed by a Republican Congress and signed by President Bill Clinton to allow the export of that oil.

Would you seek or support a reimposition of the ban?

Secretary NORTON. Our primary concern is trying to provide energy for America's future, and our focus is trying to make sure that that is the audience that we are addressing, that is the market that we are addressing. I will be happy to get back to you with a further statement as to—

Mr. DEFAZIO. Okay. Well, that is an encouraging first step.

And I have legislation to reimpose the ban or the President could do it by executive order. So if you could take a step unilaterally or support legislation; that would be great.

I was reading an interview with you and it said that "Star Trek Voyager" is your favorite television show. Is that true?

[Laughter.]

Secretary NORTON. Yes, and unfortunately it is now off the air.

[Laughter.]

Mr. DEFAZIO. Well, I would just observe, Madam Secretary, if that is your favorite show—

The CHAIRMAN. The time—

Mr. DEFAZIO. Just very briefly, because I did yield generously to him. Thirty seconds? Then we should have perhaps a more forward-thinking energy policy. You know, the Stone Age didn't end because they ran out of rocks.

[Laughter.]

They evolved. They went on. We went to new technologies.

And I would observe that this is mostly a petro-based energy policy. And really, I would like to see the 50 percent in efficiency and alternatives expressed in more than words.

Thank you, Madam Secretary.

The CHAIRMAN. The time of the gentleman has passed.

We have two votes coming up, and the Secretary is going to leave. We are going to try to finish with her before we go vote.

Let's do this: one question each in a hurry. Okay?

On the majority side, you are next. Do you have a question for the Secretary over here?

On the minority side?

Mr. Faleomavaega, one question.

Mr. FALEOMAVAEGA. One question.

Madam Secretary, thank you for coming this morning.

Madam Secretary, there are some 5.4 million Americans who depend entirely on imported fuel for their resources. And I am speaking mainly, as you know, of the State of Hawaii, Puerto Rico, the insular areas. And I don't see anywhere in the proposed legislation anything dealing with the energy needs of these areas in our country, and I would really appreciate if you can pursue this.

On the question of ANWR, I would like to know what the position of the Native Alaskan tribes are in the State of Alaska concerning ANWR.

And secondly, I would like to note also that there is a question about alternative sources of energy, and I don't see anywhere in this legislation about doing comprehensive research and study, especially on areas like deep ocean water energy resources, and I would really appreciate if you could address that issue.

Secretary NORTON. As to the issue of your area and Hawaii and the source of oil and gas, we would be happy to work with you further on that.

As to ANWR, the Alaska Federation of Natives, which is a statewide organization, voted to support opening ANWR. There are native lands that cannot be used by the natives for oil and gas as they would like to do because of the restrictions, and they cannot act until Congress allows them to utilize their own lands.

The CHAIRMAN. The gentleman from California, Mr. Calvert.

Mr. CALVERT. Just real quick, Mr. Chairman, I appreciate the time. I would encourage the members to—I will do a little advertising—to get on my hydrogen act bill, which is named after Bob Walker and George Brown, because that is the next energy source.

But I just wanted to point out to the Secretary that California does a great job with wind, solar, geothermal; we probably use more of those types of energy sources than any other state in the union, but we still have a little problem that has been well-publicized.

And we certainly appreciate your efforts to attempt to find fuel to get us through this next number of years until we can move to a hydrogen-based economy, which at some point I think we will get into.

So I know many of the members here are already on that bill, Mr. Chairman, and I appreciate their support. But in the meantime, we are going to need to find additional hydrocarbon resources throughout the country and Alaska to get us through this period.

I appreciate the time.

The CHAIRMAN. Madam Secretary, we have a little problem here. We are going to have to go.

Maybe I understand it wrong, but I don't think you can spend the day with us, and we have a whole bunch of other witnesses sitting there, who have been very patient.

What are your druthers?

Secretary NORTON. I would be happy to accept any questions in writing, to reply, and to talk with members with specific questions, if that helps.

Mr. PALLONE. Mr. Chairman?

The CHAIRMAN. Well, let's try—Mr. Pallone?

The gentleman from West Virginia.

Mr. RAHALL. Obviously, we had a larger turnout on our side of the aisle today, and there are members, and I think they are entitled to their 5 minutes. Obviously, they can't do it today.

I would ask the Chairman and Madam Secretary if she would be so kind as to consider a reappearance before our Committee—I recognize schedules are tight today—at another time, so that our members and additional majority members will have time for their 5 minutes.

Mr. KIND. Mr. Chairman, I have a housekeeping question as well for Madam Secretary.

In her last appearance on June 6 before the Committee, testifying about the national energy policy, a lot of members submitted written questions.

We were wondering if you will have an opportunity to respond to those important questions prior to the markup of this legislation, which I believe is going to take place next week.

The CHAIRMAN. The gentleman is correct. We are intending to mark this up next week.

Secretary NORTON. Those are on their way. They were, unfortunately, in the OMB process. We could not deliver them to you in advance of this hearing. But those will be to you very quickly.

The CHAIRMAN. I would suggest that the members write questions to the Secretary.

Mr. Pallone?

Mr. RAHALL. Can they be answered before the markup, Mr. Chairman?

Mr. PALLONE. I just wanted to—

The CHAIRMAN. It is up to the Secretary.

Mr. Pallone?

Mr. PALLONE. I just want to ask you very quickly, at the New Jersey shore, which I represent, and other members, on a bipartisan basis, they are in an uproar over the possibility of offshore drilling off the coast of New Jersey and the Mid-Atlantic.

There have been two proposals, one from the outer continental shelf policy Committee and another from MMS itself to try to study and look into exploration off the coast of New Jersey.

We now have a moratorium in place in our Interior appropriations bill on an annual basis. There is an executive order of the President, President Clinton, for a 12-year moratorium for the Mid-Atlantic.

Does the administration support continuing those moratoria or is the administration—

Secretary NORTON. Yes.

Mr. PALLONE. You do. In both cases, both the 1-year annual appropriation plus the executive order?

Secretary NORTON. We don't have any proposals to take the moratoria off the table.

Mr. PALLONE. Okay.

Secretary NORTON. Those are currently in place, and we have not proposed making changes to those.

Mr. PALLONE. All right, I appreciate that.

The CHAIRMAN. We probably have time for one quick question. Mr. Inslee?

Mr. INSLEE. Well, Mr. Chair, I spent 4 days in the Arctic refuge last week, and we have before us an issue that will substantially damage that, and I believe that we ought to have 5 minutes to get our questions answered before we destroy our precious national resource.

We have questions outstanding for weeks we haven't received back from the Secretary. I understand she has a busy schedule.

We ought to have 5 minutes to get our questions answered before we take a vote to destroy the Arctic wildlife refuge.

The CHAIRMAN. Mr. Underwood?

Mr. UNDERWOOD. Basically, I just wanted to reiterate the point about the insular areas and the lack of an energy policy on this, and also the fact that ocean thermal energy is not part of your discussion or apparently not part of anything that you have submitted either for the record or in your conversation this morning.

Secretary NORTON. Thank you.

The CHAIRMAN. We are going to miss a vote unless we recess right now.

[Recess.]

The CHAIRMAN. The Committee will come to order.

The Secretary has agreed to take these questions, if members want to take their 5 minutes. That is very gracious of her. I think of all of the times that people have had to run and many of us did not get our time in.

Madam Secretary, we appreciate you graciously staying with us. We know you have other things to do, but we truly appreciate that.

The gentleman from Wisconsin, do you want to get your 5 minutes now?

Mr. KIND. Thank you, Mr. Chairman.

And I want to thank Madam Secretary for your graciousness with your time and agreeing to stay and answer a few more questions.

As you are aware, we are in all likelihood going to be going to markup on this legislation that the Chairman and others have introduced in this Committee. It is a very important piece of legislation, and I am happy to hear that you are going to try to expedite the response time in regard to the written questions we had submitted after the June 6 hearing as well.

The first question I have for you, Madam Secretary, I had an opportunity to review your written statement that you submitted to the Committee for today's testimony. You had stated in your written statement, and I quote, "The President has also proposed royalty in-kind provisions that will help us with the administration of your royalty in-kind program."

But I have had a chance to review the administration's report of the national energy policy development group that was released in May, as well as the President's legislative initiatives that were recently released just a couple of weeks ago in June, and I can't find any reference at all to royalty in-kind in those two major documents.

Has the President in fact proposed that? If so, where is it? And can we obtain a copy of the proposal?

Secretary NORTON. I apologize. You are correct in your reading of that. And we did make a mistake in the written testimony.

The President did include provisions for trigger prices to trigger that royalties would go into the LIHEAP program, but it did not address the royalty in-kind aspect of that.

Mr. KIND. Just so I am clear on the administration's current position, are you now here endorsing the legislation that has been submitted, 2436, in regard to the royalty in-kind provisions contained in the legislation? Or hasn't the administration taken a position on that?

Secretary NORTON. We believe that the provisions that are in 2436 are consistent with the energy plan, so we are endorsing generally those aspects of 2436.

Mr. KIND. I am a little confused because I was part of the bipartisan group that went down to the White House just a couple of weeks ago to have a conversation with the President and Vice President in regard to the energy policy.

During that meeting, Representative Rahall directly posed that question with the President, and he at the time indicated that they weren't moving forward on any proposal regarding royalty in-kind. He gave that assurance to Representative Rahall.

Now, is this a reversal in that policy position in endorsing the legislation that has been submitted and we will be marking up next week?

Secretary NORTON. I am not aware of what the statement was that was interpreted in that way.

Mr. KIND. Well, perhaps we can follow up and just get some clarification from the administration on that provision in particular.

I don't know, Madam Secretary, if you had an opportunity to review the article that appeared in the Wall Street Journal yesterday titled "How Many Inspectors Make Safety Checks in Alaska's Oil Fields? Answer: Only 5 and That Worries Some People as Bush Backs Drilling."

I think it an very important article in the fact that it raises so many substantive issues in regard to our ability to go into Alaska generally and the Arctic National Wildlife Refuge specifically and be able to extract these resources in a environmentally friendly way, in a clean fashion, which the administration touts as feasible and possible.

Yet this article, which I would ask unanimous consent to submit for the record at this time, Mr. Chairman, without objection, raises some very important questions.

[The article follows:]

THE WALL STREET JOURNAL.

JULY 11, 2001

FUELING CONTROVERSY: HOW MANY INSPECTORS MAKE SAFETY CHECKS IN ALASKA'S OIL FIELDS?

ANSWER: ONLY FIVE, AND THAT WORRIES SOME PEOPLE, AS BUSH BACKS DRILLING; LEGISLATURE TRUSTS INDUSTRY

BY JIM CANTON

DEADHORSE, Alaska—As Congress begins debate this week on President Bush's proposal for expanded oil drilling here on Alaska's North Slope, concerns about safety are intensifying.

On April 15, a corroded pipeline spilled roughly 100,000 gallons of crude oil and saltwater onto the delicate tundra. Crews working in below-zero conditions plugged the leak in 12 minutes—but that was long enough to poison vegetation across an area the size of two football fields.

Alaska's 25-year-old oil infrastructure is showing its age, just as a new energy boom is poised to hit the state. The problem stems from a combination of industry and government behavior: As North Slope wells have been steadily depleted in recent years, oil production has declined, and energy companies eager to cut costs have held back on much-needed investments in replacement parts and equipment. Alaska's legislature, meanwhile, eager to please the industry, has gutted the state agencies responsible for regulating oil-field safety. Indiana, which takes a full year to produce the amount of crude oil that Alaska pumps in three days, employs nine oil-field safety inspectors. Alaska has five.

"By and large, we are distrustful of big government up here," explains State Rep. Eldon Mulder, the Republican co-chairman of Alaska's House Finance Committee and a key hand in the killing of proposals for more-stringent regulation. Slumping production has hurt the state economy and should be cured by more drilling, he says. And, he adds, "the industry has done a good job regulating itself."

Others are more skeptical. Although the state hasn't had a catastrophic oil spill since the Exxon Valdez incident in 1989, critics of the industry, including some who work in it, say danger signs abound. The 100,000-gallon spill in April, at a Phillips Petroleum Co. field called Kuparuk, was just one of 50 modest-size and small spills attributed to pipeline corrosion and other wear and tear in the past five years, Alaska regulators say. Yet the industry consortium that runs the vast oil field beneath the North Slope and Prudhoe Bay—North America's largest—says it has slashed

maintenance spending by 10% this year, to about \$100 million, after years of holding the level roughly even.

A page one Wall Street Journal article in April reported that oil-rig technology touted by President Bush as environmentally friendly and central to his expanded drilling plans has malfunctioned at rising rates in the past five years on rigs in western Prudhoe Bay. These technological problems, such as failures in spot checks of emergency shut-off valves, are all the more worrisome because of the state's relatively light regulation and reduced maintenance by the industry. Federal authorities in Alaska delegate most responsibility for the oil industry to the state.

If the safety valves on some rigs fail in a real emergency, as much as 3.5 gallons per second of crude oil could gush into the ecosystem. "These valves are meant to protect against catastrophic failure," says Lou Grimaldi, one of the five state oil-safety inspectors. "They're absolutely crucial."

Industry officials acknowledge they have had maintenance problems in recent years but say the troubles are being addressed and pose no safety risk. "This place is safe and getting safer," says George Blankenship, Prudhoe Bay manager for London-based BP Amoco PLC, which operates the field for the consortium. Other BP officials add that this year's maintenance-spending cut reflects expected consolidation after BP's 1998 acquisition of Amoco Corp., which had operated part of the Prudhoe Bay field.

The Bush administration's call for more drilling responds to a projected shortfall of 7.5 million barrels of oil per day in the U.S. over the next 20 years. Environmentalists counter that stepped-up conservation could cover any shortfall. But the White House maintains that more fuel is needed and singles out Alaska as a particularly rich source of reserves.

The administration's most controversial proposal—to allow drilling in the North Slope's pristine Arctic National Wildlife Refuge—was probably doomed by the Democrats' recent takeover of the Senate. But with White House encouragement, industry is gearing up for expanded exploration and production in other parts of Alaska where congressional permission isn't required.

A unit of Phillips Petroleum, for example, recently struck oil in three large fields in the National Petroleum Reserve, a 23-million-acre area west of Prudhoe Bay in which the White House directly controls drilling. Wells are being drilled in the Beaufort Sea, as well as Cook Inlet near Anchorage. State officials also want to build an 1,800-mile pipeline to transport natural gas from the Arctic, through Canada, to the lower 48 states—a plan that would raise concerns about potential pipeline explosions and fires.

Some Alaskans wonder whether the state's creaking pumps and pipelines, and the skeletal staff of regulators who oversee them, can handle a fresh oil boom. "The people doing the job now are stretched far too thin," says Democratic State Rep. Ethan Berkowitz, minority leader of the Alaska House.

The state legislature's parsimony during the past decade has left Alaska's oil industry with less safety oversight than many states that produce a fraction of Alaska's output. Indiana, for one, pumps 2.5 million barrels of oil a year, compared with Alaska's current level of 400 million annual barrels, which amounts to 20% of the nation's domestic oil supply. Alaska spends about \$3 million a year to monitor oil-field safety. Indiana spends \$1.4 million, deploying its nine inspectors mostly across a 480-square-mile oil patch. The five inspectors employed by Alaska's Oil and Gas Conservation Commission, by contrast, oversee wells spread across 1,000 square miles of icy emptiness.

California, which produces about 300 million barrels of oil a year, has 40 oil-field safety inspectors. Canada's Alberta province, which produces 700 million barrels a year, has 110. But the stakes are much higher on Alaska's North Slope, where the typical well gushes 750 barrels a day, far more than wells in these other places.

Overwhelmed by its task, Alaska's tiny inspection cadre has abandoned the technique, used by its counterparts in some other states, of making surprise visits. The Alaskan inspectors schedule their arrival at drill sites ahead of time.

"There is no question that the legislature has done a very myopic job in terms of environmental responsibility," says Alaska Gov. Tony Knowles, who is a Democrat but generally a strong industry backer. Alaska's Republican-controlled legislature, the governor says, has mounted a dangerous budgetary "attack" on the state's safety agencies.

Take the Alaska Department of Environmental Conservation, the state's pollution watchdog. Its budget has been reduced by 55% since 1991—more than triple the 15% decline in Alaska's overall state spending during that period due to lower oil revenues. In December, the department's staff, worried that aging gear on the North Slope and elsewhere could cause a major spill, petitioned lawmakers for a \$500,000 grant to monitor pipeline corrosion and study spill-prevention techniques.

As it happened, the legislature was considering the request in April when the Phillips Petroleum pipeline burst at the Kuparuk field. Although the level of damage is still being studied, scientists with environmental groups say that sludge and seawater killed surface plants and thawed underlying permafrost, making it unlikely the vegetation will ever fully recover. "Migratory birds also suffer, because even a drop of crude on their eggs can cause them not to hatch," says Pamela Miller, an environmental consultant in Anchorage.

Still, the legislature rejected the department's request, siding with industry lobbyists who argued that oil companies were capable of monitoring pipeline corrosion themselves. "There appeared to be a certain amount of duplication" between the industry's efforts and the department's request, Republican State Rep. Loren Leman, majority leader of the Alaska Senate, says in an interview.

Lawmakers did appropriate \$3.6 million to help fund an industry lobbying campaign on behalf of Mr. Bush's proposal to drill in the Arctic wildlife refuge. "There's nothing to oversee if there's nothing coming out of the ground," says State Rep. Mulder, explaining lawmakers' preference for lobbying over safety spending.

The oil industry generates two-thirds of Alaska's revenue and provides annual royalty payments of thousands of dollars for each of the state's roughly 500,000 citizens. The drop in oil revenues in the early 1990s hit Alaska hard, forging strong political will to boost production. Michele Brown, commissioner of the state's Department of Environmental Conservation, says, "The legislature doesn't care for our mission.

The paucity of resources makes it hard for Alaska's oil-safety inspectors to do their job. Stretched by the state's vast terrain and its 3,500 wells, the five inspectors say they schedule their field tests with the oil companies to ensure that inspectors don't travel hundreds of miles only to discover that necessary personnel or equipment aren't around.

Lost is the element of surprise that regulators in some other major oil-producing states swear by as the crucial component in keeping oil companies honest. "You want to make sure that what's going on in the field is what you-think it is," says Philip Asprodites, Louisiana's commissioner of conservation. His staff of 35 inspectors runs surprise safety checks on oil rigs in the Gulf of Mexico.

Instead, Alaska's safety regulators operate on trust, often established between inspectors and industry employees over years of working side by side in the state's desolate reaches.

On a snowy day on Prudhoe Bay, Mr. Grimaldi, one of the five inspectors, watches a BP Amoco roustabout adjust pressure gauges inside an instrument shed, simulating a leak that instantly shuts down the oil well beneath them. The valves work flawlessly, as well they should: The valves just underwent their regular tests by the company, which also knows the inspector has a journalist in tow.

Despite the close coordination with the company, Mr. Grimaldi says BP wouldn't rig a test by fiddling with equipment before he arrives. "The No. 1 thing these guys have going for them is we can trust them," he says. BP's supervisor on hand for this day's test is Merv Liddelov, whom he has known for many years and with whom he once worked at another company.

At the reporter's request, Mr. Grimaldi makes an unscheduled check of a BP rig with a troubled history, known as G pad. Nearly a third of this platform's safety-valve components flunked a state test in March. It passed a scheduled retest in April, and this time, without prior warning to the company, it passes again.

Out of the inspector's earshot, however, a BP Amoco worker, who declines to be named for fear of retaliation, says maintenance crews were dispatched to G pad the night before the scheduled April retest to assure everything was working well. When valves on one well continued to fail, that well was shut down--and was therefore bypassed by the state inspector the next day, the worker says.

A BP spokesman confirms the company performed its own preparatory maintenance on the eve of the inspector's visit in April. But the spokesman adds that the company was merely taking steps to head off any more safety-valve problems. He says the bypassed well, were it operating, would not have significantly affected G pad's overall success rate.

Mr. KIND. And they highlight in the article that there are only five oil safety inspectors currently working in Alaska, whereas the State of Indiana, which produces oil over a year equivalent to the amount of oil produced in just 3 days in Alaska, has nine inspectors.

And obviously, the question arises, is there sufficient safety programs or safety inspectors in place right now in the State of Alaska in order to address some of these safety concerns? What is your opinion?

Secretary NORTON. First of all, we would intend to have however many inspectors it takes to ensure that we have not just appropriate standards in place, but also compliance with those standards.

Second, I think it is important to recognize that the North Slope is a little different than other areas, and some of the comparisons in that article are not quite correct. I would be happy to provide you with the specific information.

But having visited there, I think there are 20 or 25 sites where production takes place on the North Slope compared to probably thousands of sites in a state in the lower 48 that is in production. And so, in terms of being able to inspect on site-by-site basis, per amount of oil produced, that is not an appropriate measure. It really is the facility itself that needs to be—

Mr. KIND. And I am not sure about the accuracy of the report in the Wall Street Journal yesterday, but one of the troubling features of it, it indicated that State Legislature in Alaska has actually appropriated more money for lobbying purposes here in Washington to drill in the Arctic National Wildlife Refuge than they are appropriating for safety inspection programs in the State of Alaska.

If that in fact is true, then I think there is more work that we should be doing together in order to beef up the safety inspection teams in Alaska, given the amount of production that is currently taking place in some very valuable lands.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KIND. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Pallone and Mr. Faleomavaega each have—
Mr. FALEOMAVAEGA. Four more minutes.

The CHAIRMAN. You get 4 more minutes and then Mr. Pallone and then we will—

Mr. FALEOMAVAEGA. I didn't use more than a minute.

The CHAIRMAN. Mr. Pallone?

Mr. PALLONE. Well, I am not going to use all 5. But I just wanted to ask a question about two American Indian issues that have come up in the context of energy.

You are probably familiar with Weatherman's Draw in Montana. This is also known as the Valley of the Chiefs. It is a sacred site to Native Americans.

And I know that the Sierra Club and about 10 different tribes have basically appealed to you, to the Secretary's office, because of the fact that drilling has been allowed there. Exploratory wells are being drilled, and they are very much opposed to this.

And they also feel very strongly that not only shouldn't it happen because it is such a sacred site, but also that there was no consultation with the American Indians, with the tribes that consider this a sacred site.

And I just wondered if had reviewed this, if we could you to be supportive of not allowing drilling there, or at least have some consultation with the tribes.

I know that the Blackfeet Tribe were here a couple weeks ago with our Ranking Member Rahall and had actually proposed that they could lease part of their reservation instead of the sacred site.

And I just wondered if you could comment on any of that, Madam Secretary.

Secretary NORTON. It is my understanding that there have been discussions about an exchange like that, that would avoid the Weatherman's Draw site and that would take place on a private basis. That is an issue that we are continuing to monitor. It is on our radar screen at this point.

Mr. PALLONE. Would you be willing to play a role, though, in trying to work that out?

Secretary NORTON. To the extent that it is appropriate, my department at least certainly would be playing a role. We need to look at what we can do while it is in an appeal process.

Mr. PALLONE. Okay.

Secretary NORTON. It was my understanding that there was at least a statement made that the company was not planning on going forward with any activity in that area—

Mr. PALLONE. Well, they are doing—

Secretary NORTON. —in a significant—

Mr. PALLONE. They are doing exploration.

But if you are willing to have the department work something out, I would appreciate that. I think that is what you are saying, that you are willing to have the department try to work it out if possible.

Secretary NORTON. We are certainly willing to try to work something out.

Mr. PALLONE. Okay.

Let me ask another thing. Under the 1992 Energy Policy Act, you were authorized as Secretary to request funding for American Indian renewable energy projects. And given that there is such a potential for renewable clean energy products by tribes, are you going to have any funding or be seeking any funding for the American Indian renewable energy project? And what is the department's plan to help tribe develop their renewable resources?

Secretary NORTON. My new Assistant Secretary for Indian Affairs was just confirmed a week before last. And in my first meeting with him, I asked him to look at working with tribes on energy issues, and that is part of what we would like to consult with the tribes about.

Mr. PALLONE. Could we, as members of the Committee, myself or others, follow up with that a request a meeting with him to talk about what is going on in those areas?

Secretary NORTON. Certainly.

Mr. PALLONE. Okay. I appreciate it.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Apparently, the word in Wall Street Journal upset the folks in Indiana, and they have written me a letter refuting most of that, signed by Mr. Slutz, James A. Slutz, Director of the Division of Oil and Gas. I will submit that for the record for your perusal.

[The Letter from Mr. James A. Slutz, Director, Division of Oil and Gas, Indians Department of Natural Resources, follows:]



Frank O'Bannon, Governor
Larry D. Macklin, Director

Division of Oil and Gas
402 W. Washington St. W 293
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July 10, 2001

Sent via fax - 202-225-5929

The Honorable James Hansen, Chairman
Committee on Resources
U. S. House of Representatives
1324 Longworth Office Building
Washington DC 20515

Dear Congressman Hansen:

Thank you for your request for information about Indiana's oil and natural gas regulatory program. Following is a brief description of Indiana's oil and gas production and the State's well inspection program. This is the same information provided to the Wall Street Journal, although some of the facts are not what appeared in the July 10, 2001 edition.

Oil and gas production in Indiana occurs primarily in Southwest Indiana in a nine county area approximately 60 miles by 80 miles (4800 square miles). The state has six oil and gas inspectors assigned to this area. Indiana has current or historic oil or natural gas production in the majority of the remaining 83 counties. Because the well density is much less in these counties, the state has three inspectors assigned to these counties. The entire state is covered by a total of nine inspectors.

Petroleum exploration was first successful in Indiana in 1886. Historically more than 70,000 wells have been drilled in Indiana. Today, approximately 12,000 active wells are used for oil and natural gas production, natural gas storage, or related injection activities. Indiana wells produce approximately 2.5 million barrels of oil a year.

While each Indiana inspector is responsible for almost twice as many wells as their counterparts in Alaska, the state has a very effective regulatory program. The effectiveness of our program was highlighted by the U.S. Environmental Protection Agency in a detailed audit report last year. I make this point because comparing oil and gas regulatory programs between states requires a careful review. The states have always been the primary regulators of oil and gas development (in the case of Indiana since 1898). The significant differences in climate, topography, geology, historical development, and other factors have made state regulation the most effective mechanism for overseeing the conservation of resources and the protection of the environment.

There are effective mechanisms for benchmarking programs to evaluate effectiveness. A meaningful evaluation requires that apples are compared to apples and that facts are accurately reported.

If I can be of assistance, please feel free to contact me at (317) 232-4059 or jslutz@dnr.state.in.us.

Sincerely yours,

James A. Slutz, Director
Division of Oil and Gas

The CHAIRMAN. The gentleman from American Samoa, you have 4 minutes left.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Madam Secretary, I can fully appreciate the complexity of so many of the areas in your responsibility and the issues that you take within the Department of Interior.

It has come to my attention that at a recent hearing held at the other body, my good friend, the good Senator from Hawaii, Senator Akaka, raised some questions with a couple of your subordinates concerning insular areas, and they knew absolutely nothing about territories, which is part of your jurisdictional authority.

I am a little concerned. And maybe perhaps at some time later your subordinates who do have direct administrative authority over these areas as assistant secretaries will meet with those of us who do represent the insular areas. And that would really be helpful to us so that we will know exactly who to talk to when we need to get some results or things on the issues that we are concerned about within the department, if that is all right with you.

Secretary NORTON. I would be happy to do that. We have our incoming Assistant Secretary for Policy Management and Budget that is pending confirmation, and she would be the appropriate person for you to speak with.

I did work on those issues myself when I was at Interior previously and have met with a number of people from the territories, and look forward to working with you and others in the future.

Mr. FALEOMAVAEGA. As a followup of the question that I had raised earlier—it was so quick that I didn't even have a chance to elaborate on this—as Mr. Underwood had indicated earlier also, but the question of deep ocean water as an alternative source as energy technology.

This technology was developed with one of our most noted nuclear scientists, Dr. John Craven, out in the State of Hawaii. And I wanted to know if the administration is willing to commit resources to do this study, even in a more comprehensive fashion so that perhaps this is another area that our nation can look into, not just for the insular areas where we have the Pacific Ocean, but certainly coastal states where there is deep ocean water in which this kind of technology can also be utilized.

Will the administration be willing to entertain possible amendments to look into this area?

Secretary NORTON. I would be happy to talk with the Secretary of Energy. That may well fit under some of the existing research type of programs that are already part of our package.

Mr. FALEOMAVAEGA. As another followup on the question, Madam Secretary, of ANWR, there was a recent lead article out of the L.A. Times questioning some of the real concerns of the native Alaska tribes on the development of ANWR, and I understand also that the Gwich'in tribe is probably the most directly impacted because of their tribal dependence so much on the caribou and the life structure and how this tribe also meets their basic needs. It is my understanding this tribe has never asked for any royalties on anything dealing with oil, as opposed to other tribes.

Have you had an opportunity to talk to the leaders of the Gwich'in tribe, Madam Secretary, on this issue?

Secretary NORTON. In my most recent visit to Alaska, I spent several hours—I visited one of their villages, Arctic Village, and spoke with the leaders of the Gwich'in tribe. They do not have royalties from their lands. They have leased apparently in the past, but there was no finds of petroleum on their lands.

The tribe that is in the Coastal Plain, I have also met with them, with the residents of Kaktovik, and they do desire to have development.

I would like to continue working with both groups of natives to try to address the concerns of both groups.

Mr. FALCOMVAEGA. Do you honestly believe that this proposal does address seriously not only the environmental concerns but that the development of ANWR can be done in a safe way in a similar fashion when we developed the Alaska pipeline system? Is this your basic position?

Secretary NORTON. I believe it is. We see 25-year-old technology in parts of Prudhoe Bay and yet the caribou herds have increased. And we can go forward with environmentally responsible technologies.

Mr. FALCOMVAEGA. Thank you, Mr. Chairman.

Thank you, Madam Secretary.

The CHAIRMAN. On the majority side? Questions for the Secretary?

Mr. Peterson?

Mr. PETERSON. Welcome. I look forward to working with you.

I was reviewing your statement. I just got here, so I missed most of the discussion.

But I agree with you that there is no silver bullet to this issue, that we really have to do a lot of things if we make energy abundant, because we will solve the energy problem when people have choices of energy and they can use the most cost-effective one, in my view.

And that is not really out there today. We have a lot of people locked on one or two kinds of energy, and they rise or fall or their business flourishes or dies because of the cost energy.

I just quickly made a list here of what I think needs to be a part of it. Of course, conservation first, and then hydro, geothermal, fuel cells, wind, solar, gas, improved access to gas, oil, coal, and nuclear.

I mean, I think if we leave any of those out, in my view, we are short-changing Americans for a strong energy future because the future of energy will depend on the success of this country. Do you agree with that overall philosophy?

Secretary NORTON. Very definitely. And I think that is consistent with our plan.

Mr. PETERSON. The one that concerns me, I guess, is that we find Congress is willing to lock up one land after another. I guess I am not sure there is a place we should drill or explore that will be agreed to by everybody, but it appears to me that we have a lot of naysayers in Congress who are seemingly willing to lock up every piece of property they can to future energy availability.

But the one that bothers me is the—for the short term; this is not a long-term problem, but for the short term, the dependence on natural gas for power generation I think has some huge negative

problems, can bring on some huge negative problems, if we cannot get enough gas into the pipeline to keep costs from exploding even further.

In my district, home heating last year increased from 100 to 135 percent. And it looks like it might even be more difficult next year.

That had a huge impact on this country's economy because that money immediately came out of the holiday Christmas spending. When you have costs driving up, when you have home heating costs up, you have business operational costs up that dramatically, you have a huge impact on businesses, you have a huge impact on our seniors who are trying to stay in their homes in the north; I come from the Northeast.

So I am concerned the overdependence on gas with the inability to transport gas because of pipelines and the inability to drill for enough new gas quick enough—because every power plant we hook up, 95 percent of them, I am told, are gas, and everyone of them, it takes a lot of gas wells to fill that high-pressure line that is going to supply that power generation.

And if we want to negatively impact America's economy, you raise home heating costs and business costs drastically again next year, and you are going to have a potential of a very negative impact on our economy.

Secretary NORTON. We chose as a nation to approach natural gas as one of our main sources because of the air quality benefits. And we continue to recognize those air quality benefits.

One of the reasons for having a comprehensive approach is to look at both supply of natural gas and whether there are alternatives that can, with some adjustments, provide the same kinds of air quality benefits as well.

So we want to look at both of those kinds of approaches, so that we have both the supply to meet our needs as well as a diverse range of sources.

Mr. PETERSON. Well, the charts I guess that have scared me are the charts showing natural gas entering the system in the next year is a shorter curve than gas being consumed for power generation, which is something we normally didn't do in this country. We sort of saved gas as that clean home heating fuel.

You know, I just lost a major business. Their energy costs last year, they did not lock in gas prices, and their prices went from \$3 a thousand to \$10 and \$12 a thousand last winter. I am losing that business. It cost them \$2 million in energy costs unanticipated, a \$2 million increase.

So I am losing it. And I know a lot of other businesses that had to shut down temporarily during the winter.

You talk about fertilizer factories, sold their gas because they made more money than making fertilizer.

I don't think people realize how dependent—something that happened a few years ago—the tank bill, the underground tank bill, where we removed all the underground tanks. A lot of my businesses had the ability to use fuel oil or gas. And when they removed their underground tank, gas was all-time world cheap, so they didn't put in tanks.

They no longer have that dual capacity. And so they were stuck.

Companies that had dual capacity last year immediately kicked into fuel oil, because it was cheaper. But those who did not have that chance to alter were stuck on gas.

My concern in the short term is that it can impact our economy with huge spikes. If we have huge spikes again next winter, we are really going to put the hurt on seniors and on businesses who depend on high usage of gas.

And I guess that is one of the concerns. If anybody has added up how much we are adding to the system and how much new gas we are putting into the system, and do those numbers meet. I am afraid they don't.

Secretary NORTON. We share those concerns.

Mr. PETERSON. Okay.

The CHAIRMAN. The time of the gentleman has expired.

Mr. Smith or Mr. Inslee, which one of you?

Mr. Smith is recognized for 5 minutes.

Mr. SMITH. I just wanted to follow up a little bit on Mr. Peterson's questions, also Mr. DeFazio's questions, because I do have some sympathy for the administration's position in terms of drilling for natural gas or oil, in the sense that we can't just close off the entire country. I think we need to have a more serious examination of weighing the options, what makes one spot better than another.

I think right now one side is saying drill everywhere, the other side is saying drill nowhere, and I wish we could come to sort of a list of principles, "Here are the goals that we want to achieve."

The thing that I find most disturbing about the administration's position now sort of follows up on what Mr. DeFazio was asking about earlier, about how it is being portrayed that half of the energy plan focuses on energy efficiency and renewable sources. But it really, at this point, is just half of the rhetoric, maybe even two-thirds of the rhetoric.

But that doesn't really do much for us, because if you are going to seriously improve options like wind or fuel cells or energy efficiency, there are really three ways to do it: one, invest heavily in R&D in any one of those areas; two, give big tax credits to people to use those technologies; or, three, fairly aggressively set standards on the things that use the energy—for instance, electric motors, set a standard to have the highest energy efficiency required on selling of electric motors.

And when I look at the budget, at what has been proposed—well, first of all, given the fact that we just passed the tax cut that has grown a little bit even since we past it, and there was nothing in there, tax credits for energy, I wonder where we are going to find the money, even if all of a sudden there is a new found commitment to do anyone of those things.

But in looking at it, other than rhetorically, where is the support for these programs. Because if we don't make the investment or push it, it is not going to happen.

So I guess, how are we planning actually implementing the rhetoric on alternative sources of fuel and increased energy efficiency without that significant investment? And where are we going find the money?

Secretary NORTON. We are looking at a number of different kinds of things, both within my Department and across the Administra-

tion. I think if you will look at the recommendations that we have made, you will see that there are many of those that do deal with conservation.

In my Department, we are going ahead with steps to look at geothermal leasing, at solar areas that might be leased, at wind energy areas so that we can move forward with those kinds of things—

Mr. SMITH. Specifically.

Secretary NORTON. —through our planning process.

Mr. SMITH. I mean, it is awful easy to make a recommendation that, "We should use more wind. We hope we do." But, okay, how? What is the recommendation? And if it costs a significant amount of money, how are we planning on funding it, since it is certainly isn't in the President's budget that he submitted?

Now, he is talking about it a lot, but in the budget that we are working our way through, it is not there. So I guess, what are the specific recommendations and what is the specific plan for implementing it?

Secretary NORTON. There are a number of Department of Energy programs dealing with alternative energy research and development.

From my Department's perspective, what we need to look at is whether we have obstacles in the way to geothermal and to solar and wind development. That is why we are bringing together those people who are actually involved in that industry to work with us and help us discover if there are some of those obstacles that we can work on.

The inventory that is suggested in H.R. 2436 is something that would allow us to move forward with that, and to see what we can do to make that a realistic contributor to our energy needs.

Mr. SMITH. That really doesn't help me at all. It is okay; I appreciate the answer to the question. But basically, in sum, it is: We are going to take a look at it, and we hope to figure it out.

And it just doesn't seem good enough. I mean, there are—you are right—very specific programs that have been around for years, for that matter. Many of them very helpful.

And I suppose part of it has to be a winnowing process of which ones are working, which ones aren't. But another part of it has to be saying, "Here's the money. Here's what we are going to do." And that is what I find noticeably absent from the administration's plan at this point, other than cranked up rhetoric about how much we like energy efficiency and renewable sources.

It takes more than rhetoric to make this happen. And I hope we can take those steps forward.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Nebraska, Mr. Osborne.

Mr. OSBORNE. Thank you, Mr. Chairman.

Thank you, Madam Secretary, for your testimony today.

It has already been touched on briefly in the discussion of natural gas, but one of our major concerns in farm country has been fertilizer and natural gas supply. And I noted in your testimony that you mentioned that roughly 74 percent of the untapped or unrealized reserves are on Federal properties.

Could you be a little bit more specific, flesh that out a little bit? Because as far as the farm economy is concerned, people kind of ignore it, they forget about it, but this has been a huge impact. The fertilizer costs have doubled and tripled. And with farmers, it has just been almost impossible to make any kind of profit.

So this is a critical issue. And as was mentioned earlier, it doesn't look like it is going to get any better very soon.

So we appreciate all you can do. But if you could flesh that out a little bit, I would appreciate it, as to where those resources are and what are the probabilities that we can have fairly quick access to them.

Secretary NORTON. I would be happy to provide you with some of the specifics about where those resources are located. One of the areas that we may be looking toward is having a gas pipeline bring North Slope gas production to the lower 48. And that is a large resource that would soon be available to us even from the existing Prudhoe Bay areas.

Mr. OSBORNE. Mr. Chairman, I yield back my time.

The CHAIRMAN. The gentleman from Washington, Mr. Inslee?

Mr. INSLEE. Thank you, Mr. Chair.

Madam Secretary, thank you for coming back. We appreciate it.

I just spend 4 days last week with the caribou and the plovers and the mosquitoes, and I learned some things.

And one of the things I learned about is a fellow named Clarence Rhode, who used to work for the Department of Interior in the 1950's. Mr. Rhode was one of the people who had the vision for the Arctic National Wildlife Refuge way back in the 1950's, and he saw that some day there would be an attempt to encroach in this area, which was pretty perspective of him.

He died on August 21, 1958, when he was ferrying people around, doing scientific research about the caribou herd and the like in the Wind River drainage, and he crashed into a mountain.

And I am here to say that we are going to speak for his vision, to not allow that vision to be shattered now, 43 years later, for several reasons.

One: I have seen that country and there is one thing I can tell you for sure. After I went to Prudhoe Bay and the Aichilik River on the refuge, I know Prudhoe Bay and Prudhoe Bay is not a wildlife refuge. It is a wonderful production facility, but it would be shattering the vision of many people in the Eisenhower administration who had the foresight to recognize how unique this entire ecosystem is—entire ecosystem, meaning it is not just the caribou, it is the entire ecosystem.

This is the largest intact ecosystem in America, and that is the site that the administration wants to drill on.

What I saw on Prudhoe Bay was a honeycombed area over a 100 miles, honeycombed with oil production facilities, pipelines, gravel roads, and ice roads that do leave a track on the tundra, because I saw them with my own eyes. They are still there.

And it is disturbing to me that the administration ignores its own science, of the U.S. Government.

In 1995, the Fish and Wildlife Service did a study on this, and they concluded, quote, "Full development of the Coastal Plain would result in the irretrievable loss of the wilderness character of

the area. The refuge, including the Coastal Plain, is a world-class natural area.”

Continuing, “Full leasing and development of the refuge Coastal Plain would have a major impact on the Porcupine caribou herd. Research indicates that displacement of the herd to the foothills south and east of the 1002 area would subject the herd to the area of highest predator density, reduce the amount and quality of preferred forage species available during calving—this is the maternity ward for the largest caribou in North America; that is my language—“and restrict access to important coastal insect relief habitat.”

To me, it is stunning when the science recognizes—and I keep hearing about the central herd increasing. The central herd has 100 miles of Coastal Plain to deal with. You can displace the coastal central herd with a couple of buildings; it doesn’t hurt it. The Porcupine herd—and you know this, because you have been there—has only 25 miles of coastal plain, has one-fourth area involved in the calving area.

And that is why this research has been stunningly, I think, dramatic, in saying that we run a risk of damaging this intact ecosystem.

I am also disturbed that the vision of the Gwich’in people, who live with the caribou, who have put solar panels up in the Arctic Village to run their washroom, isn’t a vision shared by this administration, because a fair statement is, for every drop of conservation, for every drop of research in new energy, there are 55 gallons of money for the oil industry.

And as I understand your proposal, and I need you to correct me if I am wrong, and the legislation that is proposed here, the only money you get for research of these new technologies that the Gwich’in people themselves are using in the Arctic Village is if we agree to this blackmail of agreeing to drill in the Arctic refuge.

That doesn’t sit well with us, to say you don’t do research unless you agree to destroy the largest, most intact ecosystem in North America. That doesn’t sit well.

Finally, I am very disturbed that 2 years after the pipeline explosion in Bellingham, Washington, that killed 3 children, a year-and-a-half after a New Mexico explosion killing several people in New Mexico, at the same time that the administration wants to open up hundreds of miles of new pipelines in the Arctic refuge, we haven’t seen the administration push one inch for improving pipeline safety in this country.

And let me tell you why that is necessary. I was in the control room of the Endicott drilling facility up on the North Slope on Prudhoe Bay. And I was talking to a really nice fellow who operates the entire production facility at Endicott.

He sits there with these computer banks. He turns the well on and he turns the well off. And if there is a leak, he is supposed to know what to do.

I asked him about the Office of Pipeline Safety and the instruction he had from the Office of Pipeline and Safety and the certification and the testing and the information. He had never heard of the Office of Pipeline Safety.

The CHAIRMAN. The time of the gentleman—

Mr. INSLEE. We need this administration—and I would just like to give you, if want to comment on any of the things I have said, I would appreciate your perspective. If I am inaccurate in any of my assumptions, I would like to know.

The CHAIRMAN. Would the Secretary like to respond?

Secretary NORTON. The approach that you have described is not the kind of approach we want to utilize. We have involved the scientists of the Fish and Wildlife Service in our proposals, in going forward with exploration in the ANWR area.

The Coastal Plain is not even where the calving occurred this year, as I am sure you know from having visited Alaska this year. The herd calved in Canada and did not rely on the Coastal Plain at all, and that has been the case in the past.

We believe that we can go forward and still allow that caribou herd to flourish, as well as to protect the rest of the wildlife and other resources in that area. We will maintain high standards to do that.

Mr. INSLEE. If I can just make one comment, Mr. Chairman, in response to something the Secretary said?

The CHAIRMAN. Briefly.

Mr. INSLEE. You are correct that the calving that occurred in the migration route this year is an aberration which occurs about every 15 to 20 years. And they had twice the calving mortality as a result of that, because these calves take place right here in the 1002 area.

The traditional and typical calving area, where the calves spend their very first days of life, is right here in the 1002 area where you want to put a major oil production area. We think that is wrong.

And thank you for staying to take our questions. I appreciate it.

The CHAIRMAN. The gentleman's time has expired.

The gentleman from Montana.

Mr. REHBERG. Thank you, Mr. Chairman.

And welcome, Secretary Norton. Thank you for being here.

And I want to congratulate you and applaud you for your resolve in trying establish a meaningful energy policy in spite of the opposition that seems to be occurring in the United States Congress.

My question is specific to the Missouri Breaks.

And I defy anybody on this Committee to fly over the Missouri River and locate the natural gas pipeline that goes up to the shores and under the river and continues on south providing a much needed natural gas supply.

Does anything in the existing statutes, now that the area has been put into a monument, in the House, whether it stands or not—2 weeks ago I made an amendment on the Interior approps, limiting oil and gas exploration or consideration within that Missouri Breaks. Is there anything within existing law that is going to preclude our opportunity to expand the size of that natural gas pipeline if necessary to bring additional product to the lower 48 from Canada?

Secretary NORTON. I am not aware of the situation as to the pipeline. I do believe that President Clinton preserved existing oil and gas rights within that area as a part of the declaration of the monument itself. So I don't know what provisions would have applied as to the pipeline.

Mr. REHBERG. I would hope that the administration will look into the opportunities. The infrastructure is already in place. I am not sure of the congressmen, when they made the vote on the floor, truly understood that the infrastructure is already in place. Those pipelines are already buried, and there is de facto creating a wilderness around private property within the Missouri Breaks.

But there is an opportunity—if pipeline supply is truly one of the problems that exists in our ability to develop full energy policy. The pipeline already exists, the easement already exists, and I hope the administration would take the time to establish whether they can in fact expand the size of that pipeline.

I don't know. I have been asking that question. Nobody seems to be able to answer the question for me, as to whether you would be limited under that designation of monument status.

But the pipeline is already in place, and I think it would play an important role. And if it isn't covered, I would like to have an amendment in this bill and hope that I would get the administration's support to give us that opportunity to expand the size of the pipeline.

Secretary NORTON. As you are aware, we have just started a process of consulting with the governors and with state elected officials on the future of the monuments, as well as with Members of Congress, and so we will be happy to obtain additional information about that as part of our planning process.

Mr. REHBERG. That brings up another point. Your letter to our governor actually has slowed down the process that I had hoped to be able to bring to this Committee a reasonable discussion on the private property that is included within that monument. Your opening up the opportunity for their input has actually slowed that process down.

So I hope that you will work expeditiously, because it will affect our energy policy as we develop that through Congress.

Secretary NORTON. We felt it was important to get local input, and we look forward to working with you to make sure we are doing things in the right way.

Mr. REHBERG. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from New Jersey, Mr. Holt.

Mr. HOLT. Thank you, Mr. Chairman.

And thank you, Madam Secretary, for taking some more time for our questions.

There are lots of things I would like to talk with you about with regard to mix of energy resources and conservation and a number of other things, and Porcupine caribou and so forth.

But one thing I would like to focus on with regard to possible drilling in area 1002 is the environmental mediation or the steps that might be taken to mitigate environmental damage, and to really get answer to the question: Is it possible—is it even possible—to drill up there without unacceptable environmental damage?

And, you know, ice roads sound attractive. Now, I notice in your testimony that you say that the bill would limit exploration activities to a period of the year when ice roads could be used. Now, are you saying ice roads would be used?

Secretary NORTON. Oh, absolutely.

Mr. HOLT. Almost exclusively, exclusively? That would be the norm?

Secretary NORTON. That would certainly be the norm. And that is already what is taking place.

One facility I visited, the Alpine facility, is a large producing facility, and it has absolutely no permanent roads to it. And I think that is exactly the model that we would see utilizing, ore without permanent roads.

Mr. HOLT. Madam Secretary, where would the water for these ice roads come from?

Secretary NORTON. It has come from nearby water sources. That is one of the things that in the Coastal Plain area we would need to study, and that would have to be a part of the environmental planning process, is making sure that the water would be available in a way that is environmentally responsible.

I know that in the Coastal Plain, the 1002 area, that is one of the concerns. And that is certainly something we would have to deal with, the availability of that water.

Mr. HOLT. Well, we scientists are often doodling, doing back-of-the-envelope calculations. And I just did a calculation of how much water it would take to make a rather thin ice road, and it is on the order of a million gallons per mile.

Now, as I understand it, we are talking about 60, maybe 100 miles of roads. As I looked up some figures here, it appears that in all of the 200-and-some-odd miles of river in that area, there might be 9 million gallons available.

Well, we are off by a factor of 10 at least in the water that is even available to build ice roads, assuming that ice roads would be environmentally attractive, that they would leave no permanent scar on the land. And yet I hear from my colleagues who have just flown over this area that the ice roads melted some time ago but leave a very visible trace long after they are melted.

So just in this one area, just on this one point, it raises very real questions about whether it is even possible to go in there without unacceptable environmental damage.

I certainly would like to see from you facts and figures about even the possibility of building ice roads of appropriate thickness, of appropriate length, with the water that is available.

Secretary NORTON. We would be happy to look at that and provide you with information.

Mr. HOLT. Thank you, Madam Secretary.

The CHAIRMAN. The gentleman from Alaska, Mr. Young.

Mr. YOUNG. I thank the gentleman.

First I ask to submit for the record a letter from our Fish and Game in the state. It quotes, "There is no evidence of negative effects on waterfowl population from oil development on the Coastal Plain on Alaska. Development of the 1002 area of the Arctic coast would have no measurable effect on waterfowl production for the nation because relatively few birds nest in this area."

The CHAIRMAN. Without objection.

[The letter from Mr. Wayne Regelin, Director, State of Alaska Department of Fish and Game, follows:]

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME

DIVISION OF WILDLIFE CONSERVATION

TONY KNOWLES, GOVERNOR

P.O. BOX 25526
 JUNEAU, ALASKA 99802-5526
 PHONE: (907) 465-4150
 FAX: (907) 465-6142

April 17, 2001

The Honorable Senator Ted Stevens
 United States Senate
 555 Hart Building
 Washington, DC 20510-0201

Dear Senator Stevens:

Alaska produces about ten percent of the nation's annual production of waterfowl, including ducks and swans that travel through all four flyways and geese that use the Central and Pacific Flyways. We have numerous important waterfowl production and migration areas, most occurring on National Wildlife Refuges established by the Alaska Native Claims Settlement Act in 1980 and on state wildlife areas.

The eastern portion of the Alaska coastal plain is not an important waterfowl nesting area because it has relatively few wetlands compared to other parts of the state. The central coastal plain, the area surrounding the Prudhoe Bay-Kuparuk oil fields, has more wetlands than the 1002 area of ANWR, therefore many more nesting waterfowl. It also is not considered to be an important waterfowl production area. Farther west, the coastal plain has an abundance of wetlands, and the area around Teshekpuk Lake is an important nesting area for numerous species of ducks and geese. In this region, oil and gas activity has included only scattered government exploitation in the 1970s and recent exploration on new NPR-A leases.

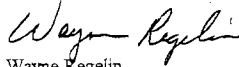
The same suite of migratory bird species uses the coastal plain of Alaska from the Colville River east to the Canadian border. There are no species that occur only on the 1002 area or only in the Prudhoe Bay-Kuparuk area. About 135 species of migratory birds have been observed in this region; about 50 species nest in the area on a regular basis.

There are no reliable long-term trends on the density of any species of birds in Prudhoe Bay-Kuparuk area since the oil field was developed. Few bird surveys were conducted prior to development to establish a base line. However, periodic studies of migratory birds have been conducted since 1969 and there are no data to indicate that any species of migratory bird has declined significantly in the Prudhoe Bay-Kuparuk area since oil develop began.

species in Alaska, in 1995 and 1997, respectively. There are about 10,000 spectacled eiders that summer in low densities on the North Slope, primarily west of ANWR, and no significant decline was detected in the 1990s. There may be about 1,000 Steller's eiders in the Barrow area, but they are too rare eastward to develop a reliable population estimate for the rest of the coastal plain. In recent determinations, the U.S. Fish and Wildlife Service found there were no areas on the Arctic coastal plain that warranted designation as critical habitat for either species.

Alaska is an important production area for many species of waterfowl that are hunted throughout the nation. However, the Arctic Coastal Plain is not the source of significant proportions of breeding populations or of ducks and geese harvested in the lower 48 states. On average, the entire North Slope supports five to ten percent of North American pintails over summer, but contributes little to continental production. The region also hosts ten percent of the Midcontinent population of white-fronted geese, showing increasing trends both in the region and rangewide. There is no evidence of negative effects on waterfowl populations from oil development on the coastal plain of Alaska. Development on the 1002 area of the arctic coast would have no measurable effect on waterfowl production for the nation because relatively few birds nest in this area.

Sincerely,


Wayne Regelin
Director

Mr. YOUNG. And, Mr. Chairman, and, Madam Secretary, I do thank you for being here.

I wished I was wearing my new boots, from what I have heard recently.

Number one, these pictures that Mr. Inslee showed, I wished he had identified really the Coastal Plain. If you will take the time to look at the back page of the 1002 area, that was not an ice road made by recent oil activity.

This is not a virgin area. This is an area that has people living in it. It has people living in it. It has warning sites. It has military activity, did have military warning sites, has a large native village living there. And that they can cast this area as a pristine last Serengeti is nonsense.

I wish you would take the time to go up there and see it, by the way.

It is nonsense.

Secondly, may I suggest respectfully that the caribou argument is full of holes. The so-called calving area, as has been said before, is not an aberration. Three years in a row they calved in a migratory route, not in this so-called hospital room. This is something that has been brought up by certain environmental groups.

And thirdly, the people that live in that area, that live on those caribou say this can do no harm to the caribou, the Alaska native. And that is something I think you ought to listen to, instead of the environmental community that knows diddly-squat about this issue period.

And thirdly, may I suggest that Rhode's idea of the refuge—when this area was considered and was established as a refuge, it was said to be open for oil drilling. That was specifically in the legislation by this Congress.

And then fifth, may I suggest is when we pass the Alaska National Lands Act, Senator Tongass and Senator Jackson and Senator Stevens and, yes, Congressman Udall, agreed to let the 1002 area open for oil development, if it was decided it was important to this nation.

This was never a wilderness area. It was a refuge to be open for drilling, and we set aside approximately 17 million acres as wilderness area, but left the 1002 area open, the barren, flat area of the whole refuge area that I have been on many times.

So this area is and has one of the largest, I believe, deposits of oil. To say we can't drill there, and it will do irreparable harm, is really a factitious argument because we can. We have proven it in the Alpine field; we have proven the new technologies from the time we first opened Prudhoe Bay.

Before everybody jumps off this cliff because you are responding to the environmental community, not scientifically, I would suggest respectively you go up there.

Mr. Inslee went up and took a lot of pictures that have nothing to do with the 1002 area. It is what you see in the postcards. It is what you see in the propaganda on the television by the environmental community.

It is a dishonest presentation of so-called facts.

The facts are, this is 74 miles away from the existing pipeline, the largest single deposit of oil left in United States that should be developed for this country.

It is not my oil; it is your oil. But it should be developed for this country.

No one has said during this hearing anything about the moneys we are spending overseas to the OPEC countries, the billions of dollars you send over out of your taxpayers' pocket. Why don't you talk about that for awhile?

The money they take that bleeds this economy; the money that goes into those countries would take and be an enemy of this country.

No one says anything about that. You are worried about something that does not exist, an area that should be drilled for this nation, if you believe in this nation.

Now, if you believe in the foreign countries, then you will keep supporting the system that is in place now, the importation of foreign oil, and be dependent upon. That is what we have been.

Billions of dollars. The trade deficit we have today is not because of manufactured TVs and such. It is because of the importation of oil—refined oil and crude oil and gas.

And yet we try to develop something.

And this President, Madam Secretary, may I suggest, this President is trying to lead this country out of a terrible, terrible problem that this Congress and previous administrations have allowed to happen. And I commend him for that. I commend you for it.

Mr. KIND. Will the gentleman yield for a question?

Mr. YOUNG. Not until I am finished. I am on my soapbox right now.

[Laughter.]

Mr. KIND. I know you are.

[Laughter.]

I hate to interrupt.

Mr. YOUNG. We sit here in Congress and grouse and complain and talk about conservation and talk about all of the good things. Where were you the last 20 years?

I have been trying to open this thing and did it in 1995, trying to get production online and refineries built in place, and nobody says, "Not in my backyard. We will buy it from overseas." Bleeding your taxpayers.

I think you ought to be ashamed of yourselves. I think you ought to think about this country for a change. It is not about your election. Think about what is right for this country. It is not about those interest groups that say, "Oh, we can't do it."

Let's think about America for a change.

Mr. KIND. Will the gentleman yield for question?

Mr. YOUNG. I will yield for a question.

The CHAIRMAN. Hang on a minute.

Does the gentleman ask for an additional minute for the gentleman from Alaska to respond for a question?

Mr. KIND. Without objection.

The CHAIRMAN. The gentleman asks without objection one additional minute.

Mr. KIND. We certainly appreciate the knowledge and experience that the gentleman from Alaska brings to this debate, and it is a very important debate.

But I wondering if the gentleman from Alaska had an opportunity to review the Wall Street Journal article that appeared just yesterday. And I know when I raised this issue during the June 6 hearing, citing the Anchorage Daily News, you called that paper I think it was "piece of rag."

But I am wondering if you have had a chance to review the Wall Street Journal article in regard to the oil safety concerns that were raised in it, the safety inspection teams that are currently in place with current drilling operations in Alaska, and if you may be able to provide the rest of the members on the Committee with your refutation of the facts contained in the Wall Street Journal article.

I think that would be—

Mr. YOUNG. Well, in the first place, I don't usually read that rag, by the way. That is number one.

Secondly, they say Alaska is assigned more inspectors per well than either Indiana or Louisiana. This is the most heavily inspected oil field in the world. That is what people don't understand.

We have done the job right. We have had problems, yes, because it was a project built too soon because this Congress in fact said had to be done. And I don't want to go through that again.

Right now we have the time to do what is correct. And this Secretary says she will do it correctly. We can assure it in the legislation.

Remember, we have more inspectors in Alaska than Indiana and Louisiana all put together, the most inspected oil field in the world—in the world.

And so I am suggesting it can be done. But you would say it can't be done because you are worried about someone's presentation about the environment. It has nothing to do with environment. It has nothing to do with the environment.

If I didn't think we couldn't do this correctly, I wouldn't be supporting it. I have always said; I always will. If I thought it hurt the caribou, I wouldn't be supporting it.

Mr. KIND. Well, I guess that is completely contrary to what the article reads in yesterday's Wall Street Journal, so if you have different facts, I think it would be helpful.

Mr. YOUNG. Well, I would gladly give you different facts. By the way, if you believe everything—

Mrs. CUBIN. Regular order.

Mr. Chairman, regular order.

Mr. YOUNG. Are you regulating me?

[Laughter.]

The CHAIRMAN. The time of both gentlemen has expired.

The gentlelady from Minnesota. The gentlelady from Minnesota is recognized.

Ms. MCCOLLUM. Thank you, Mr. Chair.

And, Secretary Norton, I do have some questions, although tempting it would be to get in the middle of the rhetoric on both sides here.

Could you tell me what, from reading your letter, what the goals are going to be for the regulations, state regulations, Federal regu-

lations? Are you going to look at perhaps some different regulations, more stringent because being in the Arctic National Wildlife Refuge?

Secretary NORTON. The regulations that we would like to see are very stringent regulations, and the ones that are outlined in H.R. 2436 meet that standard. They are the most stringent regulations that are in any statute, as far as oil and gas operations are concerned.

Ms. MCCOLLUM. So, Madam Secretary, it is your opinion that we don't need to look at doing anything different in this area, with all the controversy going on between the two groups, to do anything more?

Secretary NORTON. I am saying we are doing something that is quite different. We are doing something that is quite stringent.

Ms. MCCOLLUM. Well, Madam Secretary, you said you were using regulations that are already in place.

Secretary NORTON. No, no, that are in the proposed legislation.

Ms. MCCOLLUM. Yes. I mean, they are there. You have already decided what they are going to be. We have the right to amend, add to them, but you have laid them out.

Could you please tell me, or get back to me—and I still am waiting to hear back from the letter I sent you on the Great Lakes drilling; I realize that you have been really busy, but I am assuming you got it, although I didn't get an acknowledgement.

Could you please get back to me with what your definition of reclamation is, because that can be very wide open? I don't know if you mean removing any gravel if gravel roads are there, making sure that water is restored if water is pumped out.

Because when I visited some of the oil sites, they were working very, very hard on coming up with scientific ways of doing reclamation in the sites that are in the Prudhoe Bay area. And I commend the oil companies for working on it.

But they had different types of reclamation going on, trying to figure out which would work best and which would be least disruptive.

And then, could you tell me, is it the Department of Interior's intention to treat both the elected leaders, the tribal leaders, at the same scale as those who are serving on the tribal corporation? Does elected leadership have any more value, any more input to you, when you are discussing with individuals versus the tribal corporations? Because I noticed in the bill that they appear to be given equal weight.

So my basic questions are, the standards that you have come up with, how do they compare with what is going on with the scientific studies that are going up there, with the Arctic council, with how that is going to interplay with what is going on with the global warming, with what is going on with what is happening with the permafrost in the area, with what is going on with the ozone in the area.

Because I agree with some of the comments the gentleman from Alaska made. You know, this isn't just about the caribou. This is about the air, this about the water quality and everything else.

And from what I witnessed up there, British Petroleum wants to do a good job. I think that they are capable of doing a good job

much later on, in the future, than they are now, without leaving an industrial footprint that is there.

But I want some followup on the questions. And I will submit those again to you in writing.

Thank you very much, Mr. Chairman, for the time.

And thank you for staying.

Secretary NORTON. Thank you.

The CHAIRMAN. The gentleman from Utah, Mr. Cannon.

Mr. CANNON. Thank you, Mr. Chairman.

And, Madam Secretary, thank you for being here. I appreciate that.

And I also appreciate your contributions over a very long period of time to the careful development and balance with which we use our natural resources.

Let me just ask you, actually, a couple of questions that you can respond to, I hope.

This legislation places great emphasis on conducting a comprehensive inventory of the energy resources on our Federal lands. Do you think this is necessary? And if so, what information do you think we could learn from this activity?

Secretary NORTON. I think it is important for us to examine what are the areas that have the highest potential for energy sources, whether that is wind or geothermal or the more traditional sources. That helps us in our planning process to identify those areas where we can have that type of energy with the least environmental impact.

And so I think this gives us the opportunity to look across the board and to make intelligent decisions about how to balance environmental protection and energy needs.

Mr. CANNON. We have done these kinds of inventories many times in our history. In fact, I ran into a book recently that was published in the century before the last century about mineral resources in Utah, for instance. A great little interesting piece based on very old technology.

We have done a lot of things. We have a lot of technology that helps us assess what our energy resources are.

And secondly, we have some new things that we are looking at for energy. As you mentioned, wind and thermal and other kinds of things.

Do you expect that if we do an inventory like this we will come up with some new insights and new possibilities for development in an environmentally friendly fashion?

Secretary NORTON. I certainly hope that that is what we find from those kinds of inventories.

Mr. CANNON. By doing this inventory, do we do anything that would put Federal lands at risk? In the process of conducting an inventory, is there anything that would be damaging or a matter of concern to the lands?

Secretary NORTON. Not that I am envisioning at this point.

Mr. CANNON. I mean, it seems to me these are noninvasive kinds of things, generally speaking.

Secretary NORTON. Right.

Mr. CANNON. It is a matter of coordinating data. It is a matter of finding what is there, looking with new technology.

But you are not anticipating in this inventory that we would do anything destructive? We are not going to cut any roads or do crazy new things, are we?

Secretary NORTON. What I am anticipating is largely looking at the information that we already have and looking at the kinds of information that we would get through our ongoing planning processes, just to make sure that we have really consolidated the information and thoroughly understand the big picture.

Mr. CANNON. Let me just point out that understanding the big picture I think is going to be very, very important, partly because we are using an enormous amount of energy that comes from other countries and looking to exploit areas around the world that are not going to have the environmental care taken with them that we would take in America.

So if we care about the Earth as a whole, we ought to be in America not just shunting off the responsibility to other countries but taking an affirmative, aggressive role in deciding what the resources are, what the costs of developing them are, and how we can protect and guard our stewardship in the process.

Enough of my homilies, by the way. Let me ask another question.

The national energy policy in its first recommendation suggested any regulatory activity that affects energy should include a detailed statement regarding the impacts of that action.

Do you believe that this would apply to negotiations that could affect power production from Federal hydropower facilities?

Secretary NORTON. Yes.

Mr. CANNON. Could you elaborate?

[Laughter.]

Secretary NORTON. Okay.

I think that we need to consider hydropower as one of our resources, looking at how we can enhance hydropower production from existing facilities.

We have a lot of balancing that needs to take place, especially in years like this year where we have a lack of water through much of our territory that has Bureau of Reclamation projects. And so we need to factor in energy as one of the considerations that we have in trying to manage those projects.

Mr. CANNON. With that in—

Secretary NORTON. This is really an analysis kind of thing that we would go through.

Mr. CANNON. As part of that analysis, are you looking at the Colorado River and the Glen Canyon Dam and other dams there, and their peaking capacity and how we can make adjustments to help meet the peak power demands in the Southwest?

Secretary NORTON. That is an ongoing issue that we fairly continually look at as part of our management.

Mr. CANNON. I notice my time has expired, so whatever is left, I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

The gentleman from Massachusetts, Mr. Markey.

And happy birthday on your 29th birthday.

Mr. MARKEY. Thank you, Mr. Chairman, very much. I appreciate it.

Mr. YOUNG. His hair used to be black.

[Laughter.]

Mr. MARKEY. That is the cruelest cut of all. You know that.

[Laughter.]

Thank you, Mr. Chairman.

Let me turn, Madam Secretary, to the issue of the red dot.

[Laughter.]

Now, everyone in the room is familiar with the red dot. The red dot has been circulated in many forms, Madam Secretary, most recently in the form of a mousepad that got sent to each of our districts. But it is on every single document that is sent out by Arctic Power or any of the advocates.

And it asserts that the footprint in the refuge from the drilling would only represent 2,000 acres, just a little, teeny, tiny red dot.

[Laughter.]

Now, who could object to that little red dot?

[Laughter.]

So the first poster here shows you the little red dot in larger scale placed randomly on the 1002 area of the refuge, the area where some of the Committee would start drilling.

As you know, this red dot is intended to mislead us into believing that the impact of the refuge would be very, very small. Who could object to that?

And I would like to just correct that misinformation today, Madam Secretary, with your assistance, if I could.

Now, none of us of course know exactly what the industry will do if we let them loose in the refuge—

[Laughter.]

—because drilling and producing oil is a messy, inexact, unpredictable business.

But one thing we know for certain: It won't look anything like this little, teeny, tiny red dot on a white background.

For one thing, we are talking about a delicate and pristine ecosystem that has escaped the interference of human development for eons.

Now, this first transparency begins to give you a visual feel for some of the wildlife values that are at stake. This data is all based on official reports of the U.S. Fish and Wildlife Service.

The yellow area is the area typically used by the Porcupine River caribou herd for giving birth and regaining energy for the migration that has occurred every year for eternity, but always brings the herd back to the 1002 area. Always. For eons.

The blue triangles and the pink squares show the spawning and migration routes of fish. The black crosses represent the denning locations of radio-collared female polar bears. The light green represents the common use areas of the tundra swans. The maroon dot shows the distribution of radio-collared musk oxen.

My point is that this is a very special refuge area, set aside to protect a one-of-a-kind ecosystem. This is the reason this area is called the biological heart of the Arctic refuge.

And I guess you could argue that our heart is just a very small part of our body. Why would anyone mind if they went into your heart—

[Laughter.]

—as opposed to, you know, your fingers? It's all the same, huh? The heart is the same as any other part.

So this is just a little dot, say the drillers.

But the question is, how do you produce and deliver oil from the dot? Is the oil going to come out by helicopter? Is it going to come out by balloon? Maybe we could you use the Russian transport that brought back our reconnaissance plane in pieces from China.

How are we going to get the oil out from the heart?

Maybe we will do it with a nice big pipeline. Ah, a pipeline to bring out oil. Let's see what that might look like, if we actually had to build a pipeline. Oh, a little bit different.

[Laughter.]

Now, this is taken from the 1987 environmental impact statement of the Department of Interior. As you can see, it is not a red dot. It represents impacts estimated by the Department of Interior spreading over 130,000 acres to 303,000 acres, one-fifth of the entire 1002 area—not a 2,000-acre dot.

Now, this shows the pipeline needed to get the oil out of the refuge, the feeder lines to the well heads and the impact area around the facilities.

The surface area is extensive and stretches across the entire refuge. It shows oil development less as a cartoon and more as a serious—may I have one additional minute, Mr. Chairman?

The CHAIRMAN. The gentleman has one additional minute.

Mr. MARKEY. I can't help but notice that it looks a huge, pink snake—

[Laughter.]

—that sprawls over the entire area.

So my question to you, Madam Secretary, is this: Do you expect the ultimate result of drilling in the refuge to look like the red dot sent around as propaganda to every Member of Congress by the drillers? Or do you expect it to look more like the pink snake that Department of Interior describes in its own research?

Secretary NORTON. Mr. Chairman, if I may reply to that?

I anticipate and I double-checked just yesterday with the technical people on my staff, that 2,000 acres is the anticipated footprint of the drilling activities, and that is at full production.

Mr. MARKEY. How about the pipelines? What about the pipelines?

Secretary NORTON. The pipelines, I have seen pipelines that were put in just a few years ago. They have no roadways next to them. It is simply the pipe itself.

And that is something that will be a part of the transportation facilities. But it is not the kind of huge, wide highway or even larger that you depict on that.

The technology has moved forward so that the impacts that would have been predicted 15 years ago are dramatically less than the impact that we would anticipate today.

Mr. MARKEY. This is based on Department of Interior information.

Secretary NORTON. It is based on 15-year-old information.

Mr. MARKEY. You can't get the oil out without constructing a pipeline.

The CHAIRMAN. The time of the gentleman has expired.

Madam Secretary, you are the most popular witness we have had this year.

[Laughter.]

And we have some very patient people waiting here, but I have to ask the gentleman from Alaska, whose district this is, is that dot in the right spot?

Mr. YOUNG. That is a cumulative acreage disturbed by the drilling. That is all it is, trying to bring the size to the 1002 area.

And it is not misleading at all. And, staff, it is not misleading at all.

Mr. MARKEY. So the lobbyists are wrong, then.

Mr. YOUNG. No, the dot is exactly the amount of acreage that will be disturbed by the drilling in 1002. You keep forgetting this is a small area set aside by this Congress to drill in.

Mr. MARKEY. So we should stop having lobbyists send us this erroneous—

Mr. YOUNG. Who said it was wrong?

Mr. MARKEY. Oh, okay.

Mr. YOUNG. I mean, if you can't understand a dot, you ought to start eating M&Ms.

[Laughter.]

Mr. MARKEY. This dot is inaccurate.

The CHAIRMAN. The time of the gentleman has expired.

The gentleman from Tennessee, Mr. Duncan.

Thank you, Mr. Markey.

Mr. DUNCAN. Thank you, Mr. Chairman.

I had to Chair a Subcommittee hearing at the Water Resources and Environment Subcommittee, so I won't try to repeat any questions that the Secretary has already been asked.

I will simply say that Mr. Cannon said the key word awhile ago, I think, when he said the word balance. And I think that is what we need to try to get back to, some balance and moderation in our environmental policies.

We have these groups all over the country that protest any time that anybody tries to dig for any coal or drill for any oil or cut any trees or produce any natural gas. And what they are doing now is really hurting the poor and the low-income and the working people of this country because they keep destroying jobs, they keep driving up the cost of energy.

And it may not be hurting some of these environmental elitists, but it is starting to hurt a lot of middle-income and lower-income people. And so I applaud the President for this energy plan that he has come forward with.

In fact, I think just a few years ago, it probably would have been considered a very liberal plan because it does have a great deal in there about conservation and development of alternative resources and things of that type.

But some of these groups have to keep raising the bar and have to keep telling people how bad things are, and have to keep denying that there has been improvements over the last 25 or 30 years so that they can keep getting in their big contributions. And I think that is what a lot of this is about.

But I will repeat that we are letting the energy debate be controlled by extremists. And what we need to do is get some balance

and moderation. And I think that is what the President's plan does.

I would imagine, and probably Chairman Young can tell us more about this, but I can imagine that many of these same arguments were used many years ago to stop the development in Prudhoe Bay and the pipeline that we have. And I hate to think where we would be in this country today if we hadn't had all those billions of barrels of oil.

As he pointed out a few minutes ago, it is certainly a matter of national security. I am sure of these contributions to these groups come from the OPEC countries, and foreign companies, and so forth, that stand to gain huge profits if we don't develop any of our own natural resources.

But I mentioned in here one time, when the Secretary was here before, that I had the mayor of a small town in my district, Englewood, Tennessee, who came to me a few months ago and said that he had senior citizens in his district who were having to choose between eating or paying their utility bills, because we are letting these extremists drive up the price of energy.

And I have mentioned in here before that I represent about half of the Great Smokey Mountains National Park. We have between 9 and 10 million visitors a year to that park. I read in Time magazine about 3 months ago that the entire Arctic National Wildlife Refuge had 1,000 visitors last year to 19.8 million acres.

That is 35 times the size of the Great Smokies. Yet all of these 9 or 10 million visitors we get to the Great Smokies think it is huge.

And most people look at a map of the entire United States on one little page in a book, and they don't realize how unbelievably huge this country is. And we just can't fathom how huge this Arctic wildlife refuge is.

And as Chairman Young said, almost all of the people that I have talked to who are opposing this drilling have never been there before. I have been up there twice.

And I can tell you that when these groups show these pictures of the mountains and the trees in opposing this, none of this drilling is going where the mountains and the trees and the Brooks Range are.

It is amazing how they have distorted this issue almost worse than Nazi propaganda.

And I repeat that who they are hurting are the poor and the lower income and the working people of this country.

So I applaud you, Madam Secretary, for trying to bring some balance and moderation into our environmental policies. And I know it is going to be difficult, but I hope you are successful. And I thank you for being here today.

The CHAIRMAN. I thank the gentleman.

The gentleman from Oklahoma, Mr. Carson.

Mr. CARSON. Thank you, Mr. Chairman.

And thank you also, Madam Secretary, for staying around.

You recently visited my own congressional district, the Tall Grass Prairie in Pawhuska, Oklahoma, to exemplify your interest in development alongside ecological preservation as well. So thank you for coming to northeast Oklahoma.

At the same time, I am sympathetic to opening up ANWR for exploration and production. You know, the EIA at the Department of Energy says that price of oil, in 10 years, per barrel is going to be \$17 to \$18 in time.

Obviously, the amount of recoverable oil in ANWR is extremely sensitive to what the price of world oil going to be.

Are there any estimates that you have, if the Department of Energy's predictions are right, about how much recoverable oil there is going to be in ANWR?

Secretary NORTON. Our estimate that looks just at the Federal areas within ANWR is 7.7 billion barrels of oil.

Mr. CARSON. And that is based on what assumptions, though, about price, percentage recoverability, and things like that?

Obviously, it is sensitive to a number of important modeling assumptions here about the world oil market. I mean, I guess there seems to be a strong sense, if what the Department of Energy is true, that you are not going to have much recoverable oil, even though I am sympathetic to the desire to open it up. I guess it is an empirical question of how much is actually there.

Secretary NORTON. I would happy to provide you with all of the details on that. I know it is a very complex type of analysis.

Mr. CARSON. Sure.

Secretary NORTON. And I would be happy to provide you with the basis for our determination.

Mr. CARSON. One last question for you on a related subject about hydropower. That section of the bill that deals with hydropower, what changes does it make in the current regulatory scheme that deals with hydropower and how does it address the crisis in licensing of hydropower facilities that we are having?

Secretary NORTON. It is my understanding that that is handled in separate legislation, that this is primarily focusing on the aspects that look at enhancing what we have on existing Federal Bureau of Reclamation type dams, for example, so that we are making sure that the dams we are currently operating are maximizing their hydropower capability.

Mr. CARSON. Thank you for staying this afternoon as well.

And thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The gentlelady from Wyoming.

Mrs. CUBIN. Thank you, Mr. Chairman.

And thank you, Madam Secretary, for being here. I too apologize for not having been here earlier, so I won't ask questions just to have you repeat answers. But if there is something that we wanted to ask that isn't already covered, then if you wouldn't mind, I will submit that in writing to you.

Secretary NORTON. Great.

Mrs. CUBIN. One point that I want to make is that people who don't live in a place like I live in where you have mining and oil and gas exploration—excuse me, Mr. Young.

The CHAIRMAN. The gentlelady will—

Mrs. CUBIN. Excuse me, this is really important. I am on your side, too.

Can you imagine how he cowers in front of me?

The point that I want to make is people like Mr. Young and Mr. Hansen and myself, who live in areas where minerals are produced, where forests are harvested, we see every single day how it is possible—not only possible, it is healthy for wildlife to be able to live in amongst oil wells and mines.

And let me tell you about a thing. When I took some Members of Congress back to my state because they were voting differently on environmental issues every single time than I thought they should, took them back to Wyoming. We went to the largest open pit mine in the Western Hemisphere, the Black Thunder Mine.

And as we were driving out of the big pit, up on the edge, there was overburden in a pile like that, and up on the very rim of the mine was the biggest buck deer you have ever seen. And that buck deer followed us along, followed us along, as we were driving out of the mine pit in the bus.

We then went to a gas field, and Newt Gingrich was along, and he was just astounded because a rabbit ran across his foot.

There was a mother pronghorn antelope and her baby sitting in the shadow of a compressor station.

As we went on, there were literally herds of antelope right intermingled in between the pumpers on an oil field.

And so people who look at illustrations like this and say, “Oh my gosh, those animals can’t live there if minerals are produced or if man steps foot on that,” they are just dead wrong.

And besides that, the pink snake looks like something way worse than a pink snake to me.

[Laughter.]

And I just want to remind everybody that that is 15 years old, that footprint of that pipeline. That is based on 15-year-old information.

And it simply isn’t fair. It shouldn’t be on the record.

And last point is, wildlife can live quite nicely and reproduce and have a good home, and allow for development of minerals, too.

Thank you so much for being here.

The CHAIRMAN. Madam Secretary, you have the record. You have worn them all out.

Secretary NORTON. Thank you.

The CHAIRMAN. And we appreciate your excellent testimony and your patience and your good answers.

And I also want to thank all the other witnesses who have been here. We are going to go ahead with the hearing. These are all important things that we want to hear.

And we will excuse you and ask our former colleague, the Honorable J. Bennett Johnston, former Senator from the State of Louisiana, to please come up.

Senator, we appreciate you being with us. Thank you so much. We appreciate your patience. We will turn the time to you, sir.

**STATEMENT OF THE HONORABLE J. BENNETT JOHNSTON,
FORMER SENATOR FROM THE STATE OF LOUISIANA, JOHN-
STON & ASSOCIATES, WASHINGTON, D.C.**

Mr. JOHNSTON. Thank you very much, Mr. Chairman. I am delighted to be here, back with the Committee again, in support of your bill H.R. 2436.

I am testifying for myself and not for Chevron, on whose board I serve, although I would assume—I have not discussed the bill with them—I would assume they would support the bill because I think is common sense, and I think it supports the policy of this country to have a reasonable energy policy.

Mr. Chairman, I was asked to focus on royalty relief today. I will be prepared on other parts of the bill, with which I am quite familiar.

But let me say, with royalty relief, in 1995, when we worked with Mr. Young and others on this Committee and you to give royalty relief, the reason was that domestic resources were depleting fast.

At that time, 50 percent of our oil was imported. Today it is 57 percent. By 2020, it is supposed to be 70 percent.

And with that importation, we export our jobs, we export our tax money, we export the economic impact which domestic production will give us. And we were not getting the kind of production in the Gulf of Mexico that we thought we should, so we came up with a proposal to give incentives to develop and drill in the Gulf of Mexico.

The theory was that in a competitive market, that the value of that lease will be reflected. The higher the royalty, the lower the bonus; the lower the royalty, the higher the bonus—that the real value will be reflected.

We had economic models of that we projected to say that if we gave royalty relief, that we would have higher bonuses, we would have more activity, we would have more wells developed.

We were greatly challenged, Mr. Chairman, you will recall, on the figures that we put out and that MMS put out reflecting what we thought would be the success of this bill. In fact, Mr. Chairman, the bill was much more successful than even what we had projected.

The acting director MMS, Ms. Kelleher, said after the first 2 years that deep water royalty relief for new leases has contributed to record-breaking lease sales in the central and western gulf over the last 2 years. A January 2000 study of MMS showed a large increase in bidding activity partly attributable to royalty relief.

Bonuses have exceeded \$5 billion in this period of time. Investment in the period of 1998 to 2005 is estimated to be \$9.5 billion in drilling alone.

So, Mr. Chairman, I would say, to quote the old adage, “If it ain’t broke, don’t fix it.” And if it is a huge success, don’t change it.

Now, Mr. Chairman, I can tell you that exploration and production budgets of oil companies are done on a very rational basis. What you do is you balance risk and reward. There are huge risks in drilling for oil and gas.

In the central gulf, about between one in three and one in four wells produce a geologic success; that is, you find oil in producible quantities.

But more importantly, Mr. Chairman, of those where you find oil, only one-third are an economic success.

So, in effect, about 10 percent of the wells drilled, of the exploration programs in the Gulf of Mexico, lead to wells that produce oil. That means that nine-tenths do not produce.

So, in effect, Mr. Chairman, what the royalty relief bill has done is, first, give more bonuses, because when nine out of 10 wells are not going to produce, if you get the up-front bonuses from that, get the use of that money in the meantime, as we have done far exceeding what the estimates were, then you get money which you would not get for nine out of 10 of those wells.

Secondly, and this is very important, you reduce the threshold of the reserve size necessary to support production. The size of the field necessary to support production statistically has been shown to be at about the median size of discovered fields in the gulf. That median size is 143 million barrels of oil or oil equivalent.

So that means that for a field that is 143 million barrels of oil and found in the Gulf of Mexico, the chances are 50-50 that it won't be produced. Or in other words, you can have fields of 100 million barrels that it is too expensive to produce.

Now, when you have royalty relief, you reduce that size because, first of all, you put your investment up front and that which is already sunk is not taken into consideration by a company as to its expense of developing that well. And to the extent that they can forego payment of royalties, then it makes it possible to develop a smaller field.

Mr. Chairman, that has been our experience. We have proven that this is so. I mean, MMS says, you know, incredibly successful program.

The third thing the royalty relief does, Mr. Chairman, is it helps keeps the independents and the small majors in the business.

In 1985, 45 percent of the 1.14 billion barrels of oil or oil equivalent in the gulf were produced by independents. By 1998, this had increased from 45 percent to 55 percent. Independents now account for 80 percent of the acreage under lease, 90 percent of the dollars bid in the last two lease sales.

Now, Mr. Chairman, it is much more difficult for independents and the small majors to invest in these deep water drilling programs. So this program of royalty relief is particularly important for them.

In the very deep water, your bill provides, as the administration does, over 800 feet, it is 9 million barrels of relief. In 1,600 meters, it is 12 million. That is really not enough in the very deep water to account for very much incentive.

In the shallower depths, where the independents play, between 200 and 400 meters where you provide 17.5 million barrels, and between 400 and 800 meters where you provide 52.5 million barrels of relief, this is important.

Mr. Chairman, it is not a giveaway. Look, you get it on the front end. I mean, to say that this is a giveaway is to suggest that oil companies don't recognize the value of that which they are bidding on. They are going to bid in a competitive market what they think it is worth. And if there is royalty relief in it, their bid is going to reflect that. That is what experience has shown.

Mr. Chairman, your study I think is a good thing. I am not sure that the National Academy of Sciences is the one to do it because it is largely a question of statistics, to go analyze what has happened. It is largely a question of economics, to examine the prospect in the Gulf of Mexico as opposed to Nigeria, Angola,

Kazakhstan, other places around the world that have different kinds of risks, political risks and others.

I might say that there political risk in the United States in drilling as well.

But it is not a giveaway. To the contrary, what it will do is spur drilling by the independents in those shallower, still used to be very deep water, but shallower, up to 800-meter proposals.

Mr. Chairman, I don't know what this Congress is going to do on ANWR. I support it strongly. Always have, although I know you have an uphill fight.

But if you look at what this Congress and other Congresses have done, not very encouraging on ANWR or on the Destin Dome. They want to take that out.

Lease Sale 181 worked out by Governor Lawton Chiles and Governor Fob James with Bruce Babbitt, and that has been declared off-limits.

One hundred percent of the East Coast is off-limits. One hundred percent of the West Coast is off-limits. I think now the Great Lakes is off-limits. Forty percent of the Rocky Mountains is off-limits.

I mean, most of it is off-limits. Now, we have a program that has succeeded, Mr. Chairman. We can prove it. We have shown it.

And for goodness sake, Mr. Chairman, keep the faith on what you are doing in your bill, because it has proved to be successful. It will work, and it should be allowed to continue.

The CHAIRMAN. Thank you, Senator.

Questions for the Senator?

Mr. Young?

Mr. YOUNG. No questions. Thank you, Senator. And we did work on that bill.

And unfortunately, as you know, it has worked greatly, but a lot of the people—not everybody—on that side of the aisle still look upon it as a giveaway, it won't work, there is no need for it.

But I saw what it did in the gulf. I will continue to support that concept, but I wish they had been here to listen. We have one Democrat and two Republicans left in this hearing, and it is unfortunate that they are not here to listen to the facts. But sometimes facts are not part of their ball game.

But you bring up a good point, and I think we ought to take into consideration your recommendation about the study. Maybe if you have a recommendation about who should do it, it would be helpful.

And secondly, if you have any suggestions on how to use this royalty incentive onshore as well offshore, I think that should be encouraged, because my goal is try to get us back down to maybe 50 percent. I don't think we will ever solely self-sufficient, but we shouldn't be so dependent on foreign countries.

And thank you for your testimony, Senator.

Mr. JOHNSTON. Thank you, Chairman Young.

The CHAIRMAN. The gentleman from Oklahoma, Mr. Carson.

Mr. CARSON. No questions.

The CHAIRMAN. The gentleman from Tennessee.

Mr. DUNCAN. Thank you, Mr. Chairman.

I won't ask any questions. I will just say, I was here when Senator Johnston testified originally on this royalty relief bill, and I

am very pleased at the results you just mentioned, especially about the independents. It seems that everything we do up here runs out the small businesses first and then it starts getting the medium-sized ones.

And just for example, I have been told we have 157 small coal companies in east Tennessee in 1978; now we have none, because we opened up a office of surface mining and the environmental groups came in. And I am sure they think it is good that there is no coal production in east Tennessee, but that destroyed a lot of jobs.

And some of these young people wonder why they can't find good jobs with just bachelor degrees now and why they are forced to go to graduate school, but we send our best jobs to other countries.

But I thank you for the good work that you did on that legislation, and I am very pleased that you have come here today to testify and tell us these good results.

Thank you.

Mr. JOHNSTON. Thank you very much.

The CHAIRMAN. The gentlelady from Wyoming.

Mrs. CUBIN. Thank you, Mr. Chairman.

And thank you for being here, too.

I just have a couple of brief questions.

The 1995 Deep Water Royalty Relief Act was clearly successful because the lessees, as you pointed out, had a better reason to pay more in bonuses to the government. And so, whether or not the mineral was produced, the bonus was paid anyway.

I have never personally seen a spreadsheet, if you will, balancing out the effect of the royalty relief and bonus versus what the royalty would have been. Do you have any information like that, that we could, in a simplified way, present to our colleagues to try to help sell this deal?

Mr. JOHNSTON. Well, the information is available because we know the precise number of barrels that have been foregone.

What you have is, the fields that have been discovered and are producing, in those situations, it is a very good deal for the company that is producing the field. But what you have to do, is you have to balance that where they find the field and they find enough oil to produce it and to put in—

Mrs. CUBIN. So the intangibles also play into it? In other words, there are discoveries that otherwise probably wouldn't have been discovered. Is that what you are saying?

Mr. JOHNSTON. Yes, that is right. I mean, nine out of 10 of those wells out there are economic dry holes.

Mrs. CUBIN. Right. Right.

Mr. JOHNSTON. Two-thirds are really dry holes. And of those that hit, two-thirds are economic dry holes because they are too expensive to produce.

So if you have royalty relief, you can deduct that amount out of what it would cost you to develop the field.

Mrs. CUBIN. Right.

Another thing that is important to me and why I wanted to have deep water royalty relief in the energy bill is that we are, on our side of the aisle, constantly being criticized as, you know, the water boys for Big Oil.

So would you explain—I know you covered it in your testimony—but would you explain just very precisely how this helps independents stay in the market and stay competitive instead of, you know, just having to go up against the big money of Big Oil.

I far and away represent more people making their living because of independent operators than I do the majors. And so, you know, you are criticized on the one hand because you do what you can to support Big Oil. And then on the other hand, you are criticized when you try to help independents and smaller operators get involved in something like this.

Could you just spell that out?

Mr. JOHNSTON. Yes, I would be glad to.

This really doesn't help the majors, the big majors, very much, because over 8,000 meters, it is only 9 million barrels, and 1,600 meters, it is only 12 million barrels. I mean, that compares to 87.5 million barrels in the previous bill in excess of 800 meters. So it is down to a tenth of what it was.

And this really doesn't help the majors very much.

It is a very important thing for the independents, who now are drilling most of the wells. It is still a very high-risk and still very expensive, in relative terms, in the shallower water.

The Miocene trend, for example, out there is red hot for independents but highly risky.

And, look, let me say this. You know, I understand the politics, having been in the politics of energy and the substance of energy now for 30 years. I understand Big Oil and how unpopular we are.

But if you think that it is such a good deal, I would tell these people who think they are making a killing to go invest in the stock. It is available to be purchased.

But do you know that Chevron, for example, on whose board I serve, has a price-earning ratio of about 10. In other words, the market thinks that is what they are worth. The average stock on the New York Stock Exchange has a price-earning ratio in excess of 20. The dot-coms, who have been going broke everywhere, a lot of those still have—I think Microsoft is still in excess of 30.

So if it is such a good deal, then go buy the stock.

By the way, I think it is a good stock.

[Laughter.]

And we are making a lot of money right now.

Mrs. CUBIN. Thank you very much, Mr. Johnston.

Mr. YOUNG. [Presiding.] Thank you gentlelady. The time is up.

And, Senator, I do appreciate your insight. You have been around a long time. You know this business.

I would suggest that you go talk to some of your allies on that side of the aisle and explain the facts of life to them, because right now you are really talking to the choir.

And I do thank you for being here, though—

Mr. JOHNSTON. Yes.

Mr. YOUNG. —and explaining the bill. I do appreciate it.

Mr. JOHNSTON. Let me just say one final comment for you, Mr. Acting Chairman.

I took four trips up to ANWR with members of the Energy Committee and I well recall one trip. I had one particular Senator who looked around and said, "This is all there is?" He said, "If I refuse

to allow drilling here, and I went back and tried to explain that to people in the bar rooms in my state, why they would throw me out of the Senate.”

And guess what? A few weeks later that Senator voted no on ANWR.

Mr. YOUNG. I understand.

Mr. JOHNSTON. So that is what you are facing. And that is why I say it is an uphill fight.

Mr. YOUNG. Well, I hope that we will win it this year. If we don't, it will be because of those that don't have the vision, as you had in that royalty provision. And secondly, if they don't do it, I hope they all freeze in the dark big time.

And I said this all along, they continue to oppose this for no scientific reasons, for no facts, and it deeply disturbs me. But that is going to be their bed that they have to sleep in.

Thank you, Senator.

Mr. FALEOMAVAEGA. Will the Chairman yield? Will the Chairman yield?

Mr. YOUNG. Oh, yes, I am sorry. You just walked in. I am sorry.

Mr. FALEOMAVAEGA. Yes, I did. And I wanted to express my apologies. Something took me out, but I wanted to pay my personal respects to the gentleman from Louisiana, who for years had done the tremendous jobs who come from those small insular areas. I just wanted to let Senator Johnston know how much we appreciate the work he has done to help our people. And I appreciate also his presence here.

Mr. JOHNSTON. Well, thank you very much, Mr. Faleomavaega. We have in fact worked for many years for the good of your people. And you have done, if I may be permitted to say, an excellent job for Samoa.

The CHAIRMAN. [Presiding.] Thank you, Senator. I appreciate you being here.

Our last panel is Mr. Roger Herrera, of Arctic Power, Washington, DC; Mr. Richard Glenn, Arctic Slope Regional Corporation, of Barrow, Alaska; Mr. Jerry Hood, International Brotherhood of Teamsters, from Washington, DC; Mr. Adam Michael Kolton, Alaska Wilderness League, Washington, DC; and Ms. Linda Lance, the Wilderness Society, Washington, DC.

Mr. YOUNG. Mr. Chairman?

The CHAIRMAN. The gentleman from Alaska.

Mr. YOUNG. Unfortunately, again, the other side of the aisle, Mr. Inslee and the rest of them are not here.

Mr. Glenn is one of those people that lives in the area, represents those people in the area, is an Alaska native. And unfortunately, they are not being listened to. They are listening to the Gwich'in, which is my group, which I belong to, which is 450 miles away from where we are going to drill.

And by the way, Richard Glenn brought his wife. Arlene is in the audience. Been sitting there very patiently, I understand, and his daughter. And I thank both of them for being patient.

This congressional duty we have is sometimes very tiring and very slow. But it deeply pleases me to have also Mr. Hood, and of course everyone knows Roger Herrera.

And Mr. Hood is with International Brotherhood of Teamsters, who happen to support this. I hope those people on that side of the aisle remember that.

But welcome, for the Committee.

The CHAIRMAN. We appreciate you being here. And above all, we sure appreciate your patience.

But as you noticed, the Secretary brought a lot of attention to this issue. And it is a very important issue, and one we are very concerned about. So, therefore, we wanted to take the time and let all the members have it.

But believe me, the testimony you are about to give, we will pour over every inch of it. So we do appreciate you being here.

I would like to take you in the order that I called you to the panel: Mr. Herrera, Mr. Glenn, Mr. Hood, Mr. Kolton, and Ms. Lance.

Mr. Herrera, I don't know what they have told you before, but we try to keep it within 5 minutes. I am sure most of you have worked your testimony out for about that time, so we appreciate it.

Mr. Herrera, the time is yours, sir.

**STATEMENT OF ROGER C. HERRERA, ARCTIC POWER,
WASHINGTON, DC**

Mr. HERRERA. Thank you, Mr. Chairman.

My name is Roger Herrera. And today I am representing Arctic Power, which is a citizens's grassroots organization mainly composed of Alaskans that support careful development of the Coastal Plain.

I personally have spent most of my career working in the Arctic as a geologist. I have literally lived way over a year in a tent on the North Slope of Alaska and spent two summers and one cold winter in the Arctic islands of Canada, much closer to the North Pole than Alaska is.

So I have seen the Arctic in its worst moments and its most beautiful moments. And they have certainly indelibly changed my whole attitude to the area.

With regard to your legislation, Mr. Chairman, because in past times I have played a role looking for oil in the North Slope for one of the big oil companies, and also being responsible for environmental protection of the oil operations, I looked at the bill in the light of that experience. And one thing that is very important with regard to legislation covering activities in the Arctic is that it mustn't be too confining to prevent the ability for technology to expand beyond the regulatory control.

What has happened in the last 25 years in the Arctic is just that. Technology has transformed the whole way of operating there for the better, to improve environmental protection and improve the efficiency of the operations.

I think in this bill you have reached a nice balance in that regard. You have used all the technological improvements which have been generated over the last 25 years, you have used all the environmental protection which state of the art and experience has shown to be necessary.

But I think there is enough wiggle room for new technology even better than the existing ones to evolve as time goes on. And that is exactly what you should try to achieve when you are controlling large oil operations on the Coastal Plain.

If I may, Mr. Chairman, I will just digress a little bit from my written testimony to address the water problem which Mr. Holt talked about earlier.

I spent a year of my life looking oil in the middle of the Sahara Desert in southern Libya. And the Sahara Desert is a desert, as we all know, just as the North Slope of Alaska is a desert. It doesn't have much rainfall in either area.

It is quite easy and routine to drill wells in the middle of the Sahara Desert where no fresh water exists. And in fact, the same techniques that we use there will be used and have been used on the North Slope of Alaska. One does not need to tap running fresh water, especially in the wintertime, on the North Slope of Alaska in order to drill oil wells.

First of all, one can use seawater and distill it quite comfortably. In fact, most of the oil fields that are presently producing oil on the North Slope of Alaska don't use any freshwater at all. They all distill seawater.

If you are some distance away from the sea and it is to difficult in the middle of winter to pipe the seawater to your location, you simply drill a shallow hole beneath the permafrost 2,000 deep and there in the geological formations is more saltwater than you have ever seen in your life.

So once again, you use that water, distill it, and you have all the freshwater you need.

With regard to making ice roads; first of all, you drive preferentially across the sea ice until you get the area where you want to operate inland, and then you make an ice road over the tundra.

People seem to forget that in the wintertime, the North Slope of Alaska is covered with snow. Snow is freshwater waiting to be melted. And so all you do is put up a snow fence. Within 24 hours, you have more snow than you have ever seen in your life because of the winds that constantly blow there. You melt that and you make your ice roads without disturbing the rivers and the fish and all that sort of stuff. So it is not a practical concern.

I would just like to make one point further beyond my written testimony, and that is only once today have we heard the term OPEC. Mr. Young mentioned OPEC.

OPEC is controlling the world price of oil. And we are suffering because of that control. If we don't take advantage of the oil resources which we believe underlies the Coastal Plain to moderate that OPEC control, we deserve the consequences of such control. OPEC is looking after its own interests; it is not looking after the interests of North America.

What Alaskans know and what Alaskans want you to know, Mr. Chairman, is that the vast majority of us, 75 percent plus, support careful development on the Coastal Plain. We have recognized for the last 25 years that we have changed the history of the United States of America because of the oil that has come out of Prudhoe Bay and has benefited the whole nation.

If Prudhoe Bay had not been discovered or the pipeline had not been built, our whole history would have changed for the worse, no doubt.

We think we can prolong that history in the future by careful development of the new oil beneath the Coastal Plain.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Herrera follows:]

Statement of Roger C. Herrera, on behalf of Arctic Power

Mr. Chairman, My name is Roger Herrera. I am an Alaskan citizen and I have been asked to represent Arctic Power today. Arctic Power is a grassroots, citizen's organization whose sole objective is to persuade Congress to open the Coastal Plain of the Arctic National Wildlife Refuge (ANWR) to responsible oil and gas leasing. Arctic Power has approximately 10,000 individual members, mostly Alaskans, and represents all segments of Alaska people, of all political persuasions. It is funded by individual contributions, plus generous grants from the State of Alaska approved by the state legislature and governor. I, personally have lived in Alaska for almost 30 years and have been involved with its geology and the search for oil and gas since 1960. I have spent many summers and several winters working on the North Slope of Alaska and in the Canadian Arctic Islands with British Petroleum, where, at different times, I was responsible for the exploration and environmental programs of the company. Because of that experience, I have accompanied scores of members of Congress on their visits to the North Slope and the Coastal Plain, including members of your committee. I retired from BP in 1993 and am now a consultant to Arctic Power.

My long association with oil and gas exploration in the Arctic and my past responsibility for environmental protection in the region has allowed me to review, with interest, the text of the Arctic Coastal Plain Domestic Energy Security Act of 2001. It is a document which is a result of an evolution over the past 14 years during which time many similar documents have been prepared and debated in the House and Senate. Interestingly, none of the previous bills has been found wanting to the extent that not one has suffered defeat in the committee or on the floor. However, the fact that the issue has not been resolved indicates a certain resistance in the minds of some people, probably based on their lack of intimate knowledge of the arctic.

My point is that the present bill is the product of many decades of experience, not only of the preparation of legislative documents, but also, knowledge and practical know how of arctic operations and ways of protecting the arctic environment.

It is worth repeating that much of the technological change that can be recognized in the oil industry's operations over the past 30 years has resulted from ideas initiated on the North Slope of Alaska. These ideas, exemplified by treatment of waste materials, long step-out horizontal wells, coiled tubing drilling, use of ice pads and ice roads, new light-weight drilling rigs, etc., inevitably achieved the multiple objectives of more efficient, safer operations and more protection of the environment. They incorporate technological improvements that make it easier to operate in the harsh, dangerous, arctic winter and it has been the incentive supplied by the difficult climate coupled with the environmental responsibility of all Alaskans—especially the residents of the North Slope Borough—that has triggered that remarkable evolutionary improvement. It has made the North Slope oil operations the cleanest and most advanced in the world.

The language of H.R. — does nothing to diminish those benefits. It mandates that best technology should continue to be used, but it resists the bureaucratic tendency to stifle innovation by excessive rules. The bill gives great authority to the Secretary of Interior to formulate appropriate regulations. One has to hope that that authority will be used by staff with firsthand knowledge of the arctic that liaise closely with the Eskimos and State of Alaska experts to achieve a win-win balance.

Such a balance can readily be established as exemplified by the Audubon Society in its Rainey Sanctuary in Louisiana and its Baker Preserve in Michigan, where careful oil and gas production has been quite compatible with nesting cranes and other wildlife for many decades.

The arguments often voiced by more extreme environmental organizations that the Coastal Plain cannot be developed in an environmentally acceptable way is opposed 75% of Alaskans (Dittman, 2001), to say nothing of the villagers of Kaktovik (www.kaktovik.com) who are the only inhabitants of the Coastal Plain. It is remarkable that the Coastal Plain area, despite the rhetorical superlatives used inac-

curately to describe it, is one of the few federal land areas where the NIMBY syndrome does not apply. If the local viewpoint is so important in making decisions against drilling beneath the Great Lakes or offshore Florida, surely it should be the dominant consideration in opening the Coastal Plain!

Unfortunately the rules of engagement on this issue are more often emotional rather than factual. Caribou are a case in point. One hears concerns that Coastal Plain oil development might adversely affect the caribou of the Porcupine Herd. It is worth recording that the herd has declined in numbers from 189,000 in 1989 to 128,000 today. This decline occurred in a period when the herd has been actively managed and protected by a US/Canadian Caribou Commission and by the US Fish and Wildlife Service. It has been subject to harvesting by the Gwich'in Indians of Arctic Village and Canada, and some drilling has occurred within its range on the Canadian side, but, by and large, the herd has apparently declined due to natural causes.

The recent history of other Alaskan Caribou herds is a warning of what might happen to the Porcupine herd in the future. The Forty-mile Caribou herd in east central Alaska was once over 500,000 animals. By the 1960's the herd had declined to 6,000 animals, but it slowly recovered over the next 30 years to about 22,000 caribou—a shadow of its historical size. Similar fluctuations have been recorded in the Western Arctic Herd. In the 1970s, this herd crashed from 240,000 animals to only 75,000. The point about these huge statistical variations in caribou numbers is that neither oil development nor wildlife management has much influenced them. It is quite relevant, therefore, to worry about the Porcupine Caribou Herd decline, but it is probably quite irrelevant to suggest that a Coastal Plain oil field will in any way affect the population trends. The trend is clearly down for this herd, as it is clearly up for the adjacent Arctic Herds. Bearing in mind that there are almost twice as many caribou in Alaska as people, it is difficult to justify jeopardizing the nation's energy balance by excessive worry about the Porcupine Herd.

A decision to open the Coastal Plain as contemplated in H.R. — is all about careful development of its oil and gas resources. Therefore a brief discussion of how much oil might underlie the Coastal Plain is appropriate, especially in the light of the distortions that have been applied to the US Geological Service estimates by environmental organizations. In its 1998 assessment the USGS concluded that, at \$25/barrel oil and with an oil recovery factor of 37–38%, there was a 95% chance that the Coastal Plain could produce 5.7 billion barrels of oil over a period of 25+ years, and a 5% chance that almost 16 billion barrels could be produced. The relevance of these estimates is not in the geological assessment of how much oil might be present, but rather in the economic and technical parameters which impact the figures. I believe that the price of oil demanded by the USGS for optimum production is much too high. It does not take into account the huge cost efficiencies of the new arctic drilling technology already discussed. However, even more important, is the USGS estimate of how much oil can be taken out of a given geological reservoir. The expectation that only 37–38% of the oil present can be extracted is too low. The Prudhoe Bay field is now calculated to have 60–65% of its oil eventually produced. The Endicott field producing from a different, more difficult, geological horizon, will give up more than 55% of its oil, and the Alpine Field, which is the beneficiary of state of the art, 2001 technology, and which taps a “tight” reservoir, will produce over 50% of its oil. These examples justify the assertion that 37–38% recovery is much too low. Consequently the USGS resource figures are extraordinarily conservative and can be considered minimal and pessimistic.

I would prefer to await the results of exploratory drilling before being dogmatic about the amount of oil present, but because we already know that significant amounts of oil are present in the Soundough Field, which partially underlies the western edge of the Coastal Plain, and because of the conservative nature of the USGS figures, it is easy to believe that 10 billion or more barrels might be producible from the area. Such an amount would represent the largest new oil province found in the world in the past 30 years. The Caspian Sea area might prove the single exception to that, but it remains to be fully proven.

This testimony has argued that there is a lot of oil beneath the Coastal Plain and that it can be produced, with the law established by H.R. —, in a manner which will not sacrifice the environment and wildlife. Despite those conclusions, it is necessary to establish why we need the oil. The answer has a lot to do with peace of mind, a viable economy and OPEC. It goes without saying that America should continue to use innovation, energy efficiencies and other conservation measures to reduce the level of concern we presently and realistically have for our energy future. In particular, it is hard not to embrace more efficient automobiles, just as we embrace more efficient jet airplanes. Jets are safer, faster and cheaper to operate than they were 20 years ago, and other forms of transportation should strive to mirror

that improvement. Having wished that, it is nevertheless difficult to forecast a significant reduction in our use of petroleum energy in the next generation or two, if only because of population growth. If that proves to be the case, America will inevitably become more and more dependent on oil imports from OPEC countries, specifically Middle Eastern producers.

This is a situation, which has faced advanced countries such as France, Japan and Britain for many decades. Britain's reliance on Middle Eastern oil was neutralized by its discoveries of the North Sea Oil. France and Japan both coped by embracing nuclear energy and by foreign policy decisions, with regard to Arab nations, quite different than those of the U.S. Unfortunately, OPEC nations now have effective control of the world price of oil. This is exemplified by the fact that in 1999 when OPEC increased world oil production by 1.75 million barrels of oil per day, the price of oil immediately slumped from \$25.00/barrel to \$10.00/barrel. Conversely an OPEC tightening of supply is solely responsible (coupled with world demand) for the present levels of \$25–30/barrel. OPEC nations have every reason not to get too greedy in increasing the price of oil to levels where alternative or unconventional oils become competitive, but likewise the United States has every reason to reduce OPEC control by using ANWR oil to moderate the world price (any new oil in the world market will moderate price), and to reduce our reliance on OPEC production. The U.S. is the world's largest energy market so a clear indication to OPEC that we are willing to manage our energy use and production in a manner that lessens the cartel's influence is a very strong message indeed.

The alternative to more domestic production of oil is inevitably more U.S. troops in the Middle East to "protect" OPEC oil, and a sustained higher price. The alternative would also demand a radical change in our foreign policy in the region with the inevitable problems associated with such changes.

These are heavy issues that the energy legislation tries to address in a reasoned manner. Unfortunately, the opponents to ANWR oil and gas production whose mantra is environmental protection, wish to disregard the NIMBY syndrome by offering millions of acres of wind farms and tens of millions of acres of solar panels across the nation—all in an effort to prevent 2000 acres of ANWR Coastal Plain from being developed. Perhaps we should embrace windmills, solar, hydro, and nuclear, etc., but we still need oil and gas, and our own oil is better than anyone else's.

Production of oil from the Coastal Plain has been bitterly criticized on the basis that it only represents six months supply of oil to the nation. To some extent I have already addressed this misrepresentation in the above discussion on reserve estimates, but it is worth amplifying the practical reality of ANWR production. The Coastal Plain is different from many isolated oil and gas basins (such as the Canadian Beaufort Sea) because it is already within 25 miles of an existing pipeline and has the benefit of the Prudhoe Bay infrastructure, 60 miles to the west. I mentioned that part of the Sourdough Field underlies the western edge of the Coastal Plain. It is possible that that known deposit would be developed very quickly after the first lease sale. Consequently, because only a feeder pipeline 25 miles long would be necessary to link to the Trans Alaska Pipeline, first production from the Coastal Plain could be expected as quickly as 2 or 3 years after leasing took place. Litigation used as a delaying tactic could increase that time and unfortunately such legal strategy has been used routinely in Alaska, nevertheless, all the physical plant for production could be built very quickly. Moderate sized oil fields in the arctic would have a 20–25 year lifespan. Giant fields (>1billion barrels) will inevitably continue to produce for a much longer period of time, so the coastal plain could easily be producing oil from 2005 for 50 years. The two certainties of such a long time frame is that more oil will be produced than originally estimated, due to continuous technological breakthroughs, and, second, that oil will still be a valuable world commodity as a source of petrochemicals if not of energy.

It is difficult to be sanguine about our energy situation in the near term and while we in America have taken cheap, reliable energy for granted all our lives, we have also exhibited a quick irritability when it becomes too expensive or not available.

The tendency of opposition groups to impose nuisance delays on oil development projects should be of concern in the future. The public process must always be rigorously followed to ensure responsible decisions on new developments, but deliberate litigious delay for the sake of delay should be strongly discouraged. I am not sure that H.R. — achieves that necessary protection.

In conclusion Arctic Power—representing the vast majority of Alaskans—is fully supportive of passage H.R. —. We are proud of Alaska's contribution to America's energy portfolio over the last 45 years. We think we have long proven the compatibility of responsible oil development and healthy wild life populations better than anyone else. The Lower 49 states supply Alaska with all its goods and services because we have no manufacturing base, so our oil development generates hundreds

of thousands of jobs for those states. The Coastal Plain belongs to all of us, but first it belongs to the Inupiat of Kaktovik, then it is Alaskans' responsibility and finally it belongs to any American who cares to think about it or visit it. This bill will realize its true riches and sacrifice nothing by so doing.

The CHAIRMAN. Thank you, sir.
Mr. Glenn?

STATEMENT OF RICHARD GLENN, ARCTIC SLOPE REGIONAL CORPORATION, BARROW, ALASKA

Mr. GLENN. Thank you, Mr. Chairman. It is an honor for me to come before the Committee this afternoon.

My name is Richard Glenn. I am the vice president of lands for Arctic Slope Regional Corporation, which is the native-owned regional corporation of Alaska North Slope comprised of a membership of more than 8,000 Inupiat Eskimos.

And it is an honor again for me to represent them.

I would like to request that my written testimony be adopted for the record, and I will not belabor the Committee with going over the testimony verbatim.

The CHAIRMAN. Without objection, all of your testimony will be put in the record.

Mr. GLENN. In addition, Mr. Chairman, I would to provide a little digression. It is a double honor for me to speak here.

Chairman Young hails from my home state. My mother is Inupiat Eskimo born and raised on Alaska's Arctic Coastal Plain.

And in addition to that, it is a double honor because my father is a son of the great State of Nebraska. And to be here among the membership of this Committee with the great Tom Osborne is just going to elevate my testimony to near heroic status when I go home and tell my family about it.

[Laughter.]

But I have a job to do here, and that is to represent the views of our Inupiat Eskimos, who join with the majority of Alaskans in support of safe, responsible exploration of the Coastal Plain.

We live in the Coastal Plain of the Arctic. We are the only group of native Alaskans who live in the Arctic National Wildlife Refuge.

Our communities are scattered across the Coastal Plain from the Canadian border to the western North Slope. We are subsistence-oriented people. We value the resources of the land and the sea. We depend on them for food. And so it is in our interest to see that these resources are protected. And it is in the interests of all Alaskans and all Americans.

The priorities that bring me here are threefold.

First is the protection of our culture, the well-being of our people, and the natural resources that we depend on.

Second is the economic self-determination and the opportunity to develop our lands, some of which exist inside the Coastal Plain of ANWR, for the betterment of our people. We live there, and we view this as a very important issue.

Third, we believe in and support the responsible exploration and development of the public lands of the Coastal Plain. We know that it can be done. We have seen it over the last 30 years of active exploration and development on the North Slope.

So as a people, we support passage of Title V of the Energy Security Act, and we want to make that message clear.

There has been, Mr. Chairman, almost a century of exploration on the North Slope, and our people have borne witness to that exploration for minerals, for coal. We have assisted them, advised them.

Natural gas seeps located around the North Slope where methane is percolating to the surface. Oil seeps located by our people furnished to explorationists. Mineral exposures, coal, all of these have been accessed by the outside world, with access provided by our people.

In addition to that, we have viewed the history of development, beginning with Prudhoe Bay and coming up to the present, in several lights.

At first, we feared exploration and development. We fought against it. But we learned, along with industry. We commented, we harangued, we fought, but in the end, industry listened. And they listened to our views.

And as a result, the oil industry of the past is a lot different from the oil industry of the present. The oil fields of Alaska's North Slope are among the cleanest oil fields producing in the world.

And to those who want to compare an unspoiled wilderness with an area of active exploration and development, I would urge an additional comparison: that between the Alaska oil fields on the North Slope and those areas around the world where oil production is going on today. Look in places like the Russian Far East or in Colombia or in parts of the Middle East, where they don't have the environmental safeguards that we hold dear. This is the kind of exploration and development that will continue if we are prevented from this responsible development of Alaska's North Slope.

Mr. Chairman, there are professional views that I also hold, as a geologist, a professional geologist, that support the development of the Coastal Plain of the refuge.

The 800-mile long pipeline that supplies our country with oil needs to be running at capacity, or, according to the law, when the pipeline is not flowing, it will be shut down.

It is not like areas of the Canadian foothills or in areas of West Texas where there are many ways to move our oil to market. While that pipeline is there, Mr. Chairman, it needs to be efficiently producing oil.

Our people are a sharing people. We have shared among each other. We share food. We share resources. We share our time and our effort.

And it is this attitude of sharing, Mr. Chairman, that I would like to bring to this Committee. In return, I would expect and hope that this attitude of sharing can be foisted back upon us by the United States Government.

We have shared our lands with the Federal Government. Huge enclaves of our area have been given to the petroleum reserve, the wildlife refuge and to the national park, areas that were part of our aboriginal claim. It was later settled by the Native Claims Settlement Act, but we received a much smaller acreage.

In this attitude of sharing, Mr. Chairman, we ask that we have access to our own lands, our traditional homeland within the Coastal Plain of the wildlife refuge.

And, Mr. Chairman, that we have this avenue of economic self-determination for the betterment of our people, jobs for our people, jobs for native Alaskans, jobs for Alaskans in general.

For these reasons, we urge passage of the energy act and specific support for Title V of this act. Thank you.

[The prepared statement of Mr. Glenn follows:]

Statement of Richard Glenn, Vice President, Arctic Slope Regional Corporation

My name is Richard Glenn. I am the Vice President of Lands for Arctic Slope Regional Corporation (ASRC). I am here to offer testimony in support of the passage of the Energy Security Act (or, the "Act"), and wish to give specific support to Title V of the Act, which is titled, "The Arctic Coastal Plain Energy Security Act of 2001".

ASRC is the Alaska Native-owned regional corporation representing the Inupiat Eskimos of Alaska's North Slope. ASRC owns surface and subsurface title to certain Alaskan North Slope lands. This ownership stems from an earlier claim of aboriginal title--covering the entire Alaskan North Slope--that was eventually settled in part by the Alaska Native Claims Settlement Act of 1971 (ANCSA). Under the terms of ANCSA, ASRC's land selection rights, which amounted to a small fraction of what was originally claimed as aboriginal title, were further limited by what at that time were pre-existing state and federal withdrawals. ASRC's corporate mission is to enhance the cultural and economic freedoms of its shareholders.

With title to approximately 4.6 million acres of surface and subsurface estate, our regional corporation represents the biggest North Slope landowner outside of the federal government. ASRC lands include the subsurface estate to 92,160 acres of land within the Arctic National Wildlife Refuge (ANWR) Coastal Plain. The ASRC-owned ANWR subsurface estate lies under and adjacent to the Inupiaq village of Kaktovik. The Kaktovik Native village corporation, KIC, holds the surface title to these same lands.

More than eight thousand Inupiat comprise the membership of ASRC, seventy-five percent of whom live in Arctic Slope communities scattered from the Canadian border in the east to the Chukchi Sea in the west, covering an area about the size of the state of Minnesota. We live close to the land and sea and depend on the resources they provide, including caribou, fish, seabirds and marine mammals. In addition, we also depend on jobs, because today's subsistence lifestyle demands a mix of financial resources and traditional resources. As a result, the values of our people and of our regional corporation reflect our recognition of the benefits of careful stewardship of the land and the need for gainful employment for our people. This blend of development and stewardship is reflected in a core value statement of our corporation, which states that we "shall develop our lands and resources by means that respect Inupiat subsistence values and ensure proper care of the environment, habitat and wildlife."

As owners of lands which we view as our traditional homeland, as subsistence hunters who have close ties to the land and sea and the resources they provide, and as village and North Slope community residents who have witnessed firsthand the exploration and development of Alaskan North Slope by the oil industry, we offer our support of the Arctic Coastal Plain Energy Security Act of 2001. In doing so, we have three main priorities: First, the protection of our subsistence way of life and the resources upon which we depend. Second, the opportunity for economic self-determination by allowing environmentally responsible exploration and development of Native-owned lands within ANWR. Third, the opening of the public lands of the Coastal Plain to responsible oil and gas exploration and development.

A BALANCE OF STEWARDSHIP AND RESPONSIBLE DEVELOPMENT

In our region we constantly balance the protection of the land with the need for environmentally sound exploration and development of natural resources. In our view, the Act provides this kind of balance, and it obligates the Secretary of Interior to follow a method of careful stewardship regarding oil and gas exploration and development in the ANWR Coastal Plain. The method has proved itself with successful exploration and development of other federal North Slope lands--most recently in the National Petroleum Reserve in Alaska (NPR-A).

The Inupiat people have contributed to responsible North Slope oil and gas development. Thirty years ago, our people were strongly opposed to all forms of oil and gas development in our region. We feared it. With our regard for the environment in mind, we created strong permitting and zoning policies within our local borough government. We were not complacent with oil development, we were—and still remain—vigilant. In the face of strong local development ordinances, oil industry exploration and development methods have improved over the last twenty-five years. We have fought, argued, commented and complained, and on occasion we have said, “No”; and the industry has listened. As a result, today’s oil industry on the North Slope is a far cry from the industry of the past. In fact, we believe that the North Slope oil and gas practices of today are the best examples of environmentally responsible development. Industry practices still are not perfect, and we remain vigilant, in an effort to continually improve industry’s performance in our environment. We are confident that with the appropriate level of local consultation and control, the Coastal Plain of ANWR can be explored and developed in a way that protects natural resources for everyone.

The oil industry of today follows a strict local permitting and zoning process that protects areas warranting special designation. Our Inupiat people have a part in this process at all governmental levels. Today’s drill rigs explore in the winter season, when a snow and ice cover has formed a protective layer between exploration equipment and the underlying tundra. Seismic acquisition is now conducted by vibrating vehicles rather than the shothole/dynamite methods of the past. Drilling practices are strongly regulated by state and federal agencies, and no drilling wastes or equipment are left onsite after an exploratory well is completed. Finally, production facilities are located only in acceptable areas, and occupy a small fraction of their former area. The advent of directional drilling and the streamlining of production methodology has allowed for the smaller footprint of infrastructure in Alaska’s oil fields. Once in place, production facilities have little or no impact on local fish and wildlife resources of the area.

ECONOMIC SELF-DETERMINATION FOR ALASKA’S INUPIAT PEOPLE

In northern and northwestern Alaska, there is no industry except for resource extraction. The land is too cold for agriculture, and too remote for refined manufactured products. In addition, the way of life in our rural communities has with time become a combination of subsistence and cash economies. As a result, our people are needful of both a healthy natural environment and access to gainful employment. With the exception of a small amount of tourism and government service positions, our people can look only to resource development for jobs within our region. Hence, we have assisted with the development of the North Slope oil and gas resources through our own Native-owned oil field service company subsidiaries, which has employed and developed the skills of our people. In addition, we have made efforts to seek title to subsurface and surface lands, including the KIC lands acreage, that hold natural resource potential, that we might benefit from the oil and gas industry as a resource owner of lands that have been traditionally used by our people. As it now stands, we are prevented from developing our Kaktovik-area lands due to Section 1003 of ANILCA. The exploration and development of the Coastal Plain of ANWR, including the KIC lands, then represents an issue of economic self-determination for our people.

In addition, our local government and village residents realize great benefit from the sustained presence of the oil and gas industry on the North Slope. Because of the practices developed over time on Alaska’s North Slope, the residents of the North Slope Borough live in a land with few environmental hazards, and have begun to build in their communities what is often taken for granted in the rest of this country. Facilities for education, health care, police and fire protection, reliable power generation, and sanitation all have been initiated by the North Slope Borough, thanks to a revenue stream generated by the taxation of property including oilfield infrastructure. In the absence of new development such as the potential development of the Coastal Plain, the North Slope Borough revenues would see a sharp decline, due to the depreciation of the older Prudhoe Bay infrastructure. Our communities are cleaner and safer, our people are living longer, and our children no longer have to travel a thousand miles or more to get a primary and secondary education.

With Borough operating revenue as well as programs initiated by our Native organizations, we are building training programs to give our local workforce skills to participate anywhere in today’s economy. For example, we have established an education foundation at ASRC that provides financial assistance to Inupiat members interested in obtaining a college degree or technical training. Finally, ASRC continues to incorporate into its business the Inupiat value of respecting and taking

care of our elders. ASRC has established an elders benefit trust that provides elderly Inupiat members with a monthly stipend to offset the high cost of living in the region. Many of our elders do not have retirement funds as many did not work prior to the introduction of the oil industry within our region. The reason for this is simply because prior to the oil industry we did not have an economy, and thus no jobs for our elders to work at to save for a retirement fund.

IN THE NATIONAL INTEREST

Finally, we view the exploration and development of the ANWR Coastal Plain as in the nation's interest. This ANWR Coastal Plain marks the most significant on-shore area for potentially large accumulations of oil and gas in the nation. Even with conservation and assuming that the United States oil demand remains static, there needs to be new production to replace production from older declining fields. The supergiant Prudhoe Bay oil field, which once produced twenty percent of the nation's crude supply, has declined to less than half of its peak production. America needs a continuing source of domestically produced oil. The alternative, importing oil from countries of political instability, or from countries with less than acceptable environmental practices, will surely do more harm than good.

COMMENTS ON SPECIFIC PROVISIONS WITHIN TITLE V OF THE ACT

Section 503 (d)—Relationship to State and Local Authority—ASRC strongly supports this provision, and the desire of the North Slope Borough to retain its broad governmental powers regarding development in the Coastal Plain. These powers, including planning, permitting, zoning, right-of-way determination, and taxation are the tools by which the residents of the North Slope become stakeholders in the development of Coastal Plain lands.

Section 503 (e)—Special Areas—ASRC strongly supports the provision that mandates the participation of Kaktovik and the North Slope Borough in the selection of lands, if any, for designation of special areas worthy of special management or protection. The local residents have the most to offer in determining the special status of any lands, and should be consulted.

Section 506 (a) (7)—ASRC strongly supports the provision that mandates lessees, agents and contractors of Coastal Plain exploration and development follow the terms of section 29 of the 1974 Federal Agreement and Grant of Right of Way for the Operation of the Trans-Alaska Pipeline, of employment and contracting for Alaska Natives and Alaska Native Corporations from throughout the State.

Section 507 Coastal Plain Environmental Protection—ASRC Strongly encourages local consultation for all the terms of Section 507 Parts a- through f. In light of the successful process adopted by the Department of Interior for the exploration and development of the northeastern part of the National Petroleum Reserve in Alaska, ASRC suggests that Interior adopt a similar framework to incorporate consideration of local input from the village of Kaktovik and from the North Slope Borough for environmental protection measures regarding the Coastal Plain of ANWR. Such input would include strong recommendations for siting of consolidated facilities where the local population desires, so that village residents can benefit from jobs, and the proposed facilities can benefit from existing infrastructure.

Section 507 (d)- ASRC recommends strengthening this section to mandate that subsistence access is ensured.

Section 510 Conveyance—ASRC strongly supports the entirety of Section 510, which addresses the completion of conveyance of the surface title of the KIC lands to the Village Corporation and conveyance of the subsurface title of the same lands to ASRC, in the interest of removing any clouds on title.

Section 511 Impact Fund Assistance—ASRC strongly supports Section 511 of the Act, which provides for Impact Fund Assistance, following the model of the NPR-A impact fund assistance program. Although the positive impacts of development may often outweigh any negative ones, the negative impacts still do exist. The villages closest to the effects of oil and gas development are always in the most need of impact fund assistance to address some of the direct negative effects of development.

The CHAIRMAN. Thank you.

Mr. Young, you have a motion?

Mr. YOUNG. Mr. Chairman, I ask unanimous consent to have the testimony of the mayor of the North Slope Borough submitted for the record at this time.

The CHAIRMAN. Without objection, so ordered.

[The statement of Mr. Ahmaogak, Mayor, North Slope Borough, follows:]

Statement of The Honorable George Ahmaogak, Sr., Mayor, North Slope Borough

Mr. Chairman and Members of the House Committee on Resources, my name is George Ahmaogak, Sr., and I am the Mayor of the North Slope Borough (Borough). I greatly appreciate the opportunity to submit written testimony to you regarding H.R. 2436, the Energy Security Act, which was introduced yesterday, July 10, 2001, by Chairman Hansen. My specific purpose is to provide testimony regarding the Borough's support for oil and gas exploration and development on the Coastal Plain of the Arctic National Wildlife Refuge (ANWR).

ANWR's Coastal Plain is this Nation's best prospect for major new oil discoveries. The ANWR Coastal Plain is located within the boundaries of the Borough. The only community within the Coastal Plain is the Village of Kaktovik. The residents of both the Borough and Kaktovik strongly support exploration and development of the Coastal Plain. These activities, however, must be subject to appropriate measures to protect subsistence uses, the environment, the caribou, and other fish and wildlife.

1. Introduction

The Coastal Plain portion of the 19 million acre ANWR is very important to the nation's economic well-being and to its energy security. This 1.5 million acre area is also of critical importance to the Inupiat Eskimos and residents of the Borough. We are the full-time residents of the North Slope. Our ancestors have lived in the Arctic for thousands of years. They have been the stewards of its land, environment and wildlife. We have an Eskimo Village with 240 residents located in the heart of the Coastal Plain.

2. National Interest in the Coastal Plain

Mr. Chairman, Members of this Committee have made a compelling case for opening the Coastal Plain to oil and gas exploration and development. With gasoline prices approaching—and in some states exceeding—\$2.00 a gallon, the American people are looking for action. Citizens are concerned about rising energy prices and about who controls oil supplies. This is a complex issue. But one thing is very clear. Opening the Coastal Plain now is the right thing to do. The Coastal Plain area:

- has the potential for major new oil reserves, estimated at 9 to 16 billion barrels of economically recoverable oil;
- could slow or reduce our growing oil import dependence, currently at over 56%;
- could be developed with minimal impact on the environment and wildlife;
- could generate billions of dollars in new Federal revenue from bonus bids, royalty and corporate taxes; and
- could address the need for increased national energy security.

3. The Borough's Interest in the Coastal Plain

The interests of the residents and the Inupiat people in the Coastal Plain are both economic and cultural. Congressional action on legislation to open the Coastal Plain will determine whether or not my constituents will have a long-term tax base from which to provide essential public services. It will determine whether there will be jobs and economic activity for our young people and our children. It will also determine whether the Inupiat people, who once held aboriginal title to all of the North Slope's 56 million acres, will be permitted to develop the economic potential of the 92,160 acres of private lands that they own in the Coastal Plain at the Village of Kaktovik, pursuant to an act of Congress.

Let me summarize my constituents' specific interests in the Coastal Plain.

a. Tax Base, Public Services and Local Government

Prior to the discovery of Prudhoe Bay in 1968, there was no tax base on the North Slope and no effective means to provide essential public services to the Inupiat people. Sewage service was by "honey bucket." Ice was hauled by dog sled from lakes for household water. Children were sent to Bureau of Indian Affairs (BIA) high schools thousands of miles away. There was little to no medical care. Fire and police protection did not exist. Electrical services were unreliable. Communication with persons and communities outside of the Borough was sporadic. Housing conditions were very poor. The cost of food and many other essentials was significant. Our people only managed to survive by their wits, by barter, by subsistence hunting, and by continuing the Inupiat tradition of "sharing."

Prudhoe Bay's discovery brought major changes. These changes included, for the first time, jobs, economic activity, a tax base, and an opportunity to establish a local government. We established the "North Slope Borough" in 1972 to address our need for vital public services

b. Uncertain Economic Future

Oil development in the Arctic has improved the quality of life of the people of the North Slope in many ways. But our future is still very uncertain. Prudhoe Bay's oil production began in 1977. Oil production peaked at over 2.1 million barrels per day in 1988, but is now in decline and down to about 1.2 million barrels per day.

Already, we are seeing job opportunities disappear as oil production declines and many oil industry activities are down-sized, consolidated and reduced to "maintenance" level operations.

New oil prospects need to be opened to attract exploration capital and extend the economic life of the Trans Alaska pipeline for 30 years or more. If discoveries are not made soon, we will see our tax base further eroded. This means the minimal public services that the Eskimo people enjoy today will have to be cut back.

Without Congressional action, the economic opportunities for the people of the North Slope will decline, and our nation's dependence on high cost OPEC oil will grow.

4. Nation's Best Oil and Gas Prospect

If Congress adopts a National Energy Policy that opens the Coastal Plain to oil and gas exploration and development—we see a brighter future for all of Alaska's Native people, for the State of Alaska, and for the nation. This future could mean as many as 250,000 to 735,000 new jobs in all fifty states; an increase in our gross national product of \$50 billion; a major reduction in the \$100 billion annually we now spend for imported oil; and a significant source of new revenue to reduce the Federal deficit.

No one disputes that the Coastal Plain is the nation's best prospect for major new oil and gas reserves. Government and private geologists are in agreement here. They have identified 26 separate major oil and gas prospects in the Coastal Plain. This does not necessarily mean Prudhoe Bay's 10 billion barrel discovery will be repeated. But it does mean that the potential is there for both another giant oil discovery and for many smaller oil fields.

Domestic oil companies are willing to commit additional resources and capital to areas on the North Slope with high potential. But, absent authorization for leasing in prime areas such as the Coastal Plain, these resources and jobs will be allocated to major prospects in other countries.

5. Precedent for Development

Opening the Coastal Plain to leasing does not set new a precedent. Prudhoe Bay and other fields next to the Coastal Plain were leased forty years ago. They have produced as much as 25 percent of the nation's oil production since 1977. This production has been occurred safely, with no harm to the environment, the land, the wildlife, or to Native subsistence users.

The Department of the Interior and the Mineral Management Service has had an aggressive Beaufort Sea OCS leasing policy in offshore waters adjacent to the Coastal Plain for more than two decades. The State of Alaska has been leasing lands within the three mile limit—some areas touching the shore of the Coastal Plain—for years. Wells are being drilled in these waters and discoveries are being made. Yet, the environmental dangers presented by development in these icy, turbulent, wind-driven waters far exceed any conceivable risk of development in the flat on-shore Coastal Plain.

6. Support for Specific Legislative Provisions and Regulations

a. Impact Aid for North Slope Communities

The Borough supports the provisions of the Energy Security Act of 2001, that recognize the need for "impact aid" for Kaktovik Village and the North Slope Borough to provide essential infrastructure and necessary social services. A decision to open this area will greatly increase visitor traffic and other social pressures on this small Village. The people who live there support oil development, but they want to retain their privacy, their culture and their character as a traditional subsistence Eskimo community. With advance planning and impact aid, both the Borough and Kaktovik can play an important role in meeting the legitimate needs of the industry and government in connection with Coastal Plain exploration and development. The impact aid provision should also be made available for any other community that might be affected by leasing and development.

Land Use and Environmental Provisions

I have carefully watched oil development on the North Slope. In the 1960's, like many of my people, I had concerns, about the social and cultural impact of development. Thirty years of experience demonstrate that our initial fears were unfounded. A quality environment and healthy stocks of fish and wildlife are compatible with responsible oil development. Our lands remain pristine. Our subsistence lifestyle has not been adversely impacted. The Central Arctic caribou herd at Prudhoe Bay is larger than ever—3,000 in 1972 and as high as 24,000 in recent years—and thriving.

The footprint of oil development is constantly decreasing in size. Technology has made major gains. Horizontal drilling means more wells are able to reach out much farther from small drilling pads. Better land use planning consolidates common facilities. Gravel roads are being replaced by winter ice roads and drill pads which melt without leaving a trace of man's activity.

These gains did not happen by chance. They are the product of regulation and hard work by an industry that is constantly being pushed by the Borough, by the State of Alaska and by the Federal government. The regulatory objective is to produce the oil we need more efficiently with fewer and fewer impacts on the land, the environment, fish and wildlife and the subsistence activities of the people of the North Slope.

The Borough recommends that Coastal Plain leases incorporate the state-of-the-art lease provisions approved by the Department of the Interior in the recent National Petroleum Reserve-Alaska (NPR-A) lease sale.

7. Wildlife in the Coastal Plain

Mr. Chairman, there are those who oppose leasing and advocate designation of the Coastal Plain as Wilderness. They have advanced a wide range of shifting arguments over the years. In recent times, they have turned their arguments on the need to protect the Porcupine Caribou herd.

My people are subsistence hunters. We live on the North Slope. We give priority to the need to protect all forms of fish and wildlife. This includes caribou. Fortunately, we know how to do this. Prudhoe Bay demonstrates compatibility with the Central Arctic Herd. It also demonstrates years of caribou-friendly planning and operational experience.

The caribou is a very adaptive animal. The Canadians showed us this when they drilled fifty or more oil wells just east of the Coastal Plain over the past twenty-five years. They also demonstrated this when they constructed the Dempster Highway through the heart of the range of the Porcupine Caribou herd.

There are many known and proven ways to explore for and develop oil fields in ways that are compatible with caribou. These included raised pipelines and covered ramps to assist pipeline crossing; seasonal closing of exploration during the short calving season; and concentrating year round activities such as maintenance facilities in areas least used by caribou and other wildlife.

8. Alaska Federation of Natives' Support

The Alaska Federation of Natives (AFN), the state-wide organization of Alaska's Native institutions, is on the record in support of leasing the Coastal Plain. AFN supports leasing in the Coastal Plain for reasons that are very important to Alaska's Native Americans. Over 80 percent of our State's revenues for education, medical care, public sanitation and other programs come from taxes and royalty on North Slope oil. North Slope oil provides many of the jobs for Native people and much of the economic activity that is essential to Native-owned businesses and our State economy.

Many of Alaska's rural native villages lag behind urban areas in employment, public services and opportunity. Closing this gap requires the resources that North Slope oil and gas and the Coastal Plain can provide.

9. Local Opposition

In recent years The Gwich'in Steering Committee has been vocal in opposition to Coastal Plain development. I want to make a couple of points about this opposition.

First, I do not believe the Steering Committee represents the views of the majority of the Athabascan Indians who live in the interior of Alaska or of Doyon, Ltd., their Regional Corporation. A major Doyon business enterprise owns and operates the rigs used in drilling North Slope oil wells.

Second, in 1980 the Gwich'in tribe leased all of their 1.8 million acres of land on the Venetie Indian Reservation. This oil and gas lease was sold to the Rouget Oil Company for \$1.8 million.

Third, this oil and gas lease, which was recorded as a matter of public record, did not contain any provisions to protect the Porcupine Caribou herd that often passes through the reservation during its annual migration.

Fourth, after the expiration of the original oil and gas lease, the tribal government for the 350 residents of the two Villages on the Venetie Reservation again advertised and offered to lease all of their 1.8 million acres of land to any other oil company.

Fifth, a number of the present members of today's Gwich'in Steering Committee were among the officials who signed the oil and gas leases as well as the subsequent offer to lease.

The Inupiat people want what the Gwich'in people have already had. We want the opportunity to have the economic benefit of developing our private lands at Kaktovik Village. We also believe that the public land area of the Coastal Plain should be developed for its highest and best use—oil and gas. This will benefit the American public and all residents and Native people in Alaska.

10. The NPR-A Precedent

The Clinton Administration prepared a comprehensive EIS and conducted an in-depth review of all issues associated with the 1998 decision to lease 5 million Northeast portion of the (NPR-A). As a part of this review, then-Secretary of the Interior Babbitt personally visited the North Slope. He camped out, ran rivers and toured NPR-A. He also visited the new Alpine oil field near our Village of Nuiqsut, west of the Kuparuk field. The former Secretary Babbitt reviewed the latest in land use plans, saw the newest oil field technology, and weighed the benefits of development against the environmental impacts within NPR-A.

The former Secretary also visited subsistence hunting and fishing camps and dined on Native food in a subsistence camp site. He learned a good deal about Native culture, the subsistence life style, and Native knowledge about our land and wildlife resources. According to press reports, the former Secretary Babbitt enjoyed his time at the camp.

Subsequently, former Secretary Babbitt approved the lease sales and exploration and development in the Northeast NPR-A. This approval reflected scientific judgments in the Department about the compatibility of oil development in NPR-A with wildlife, environmental, and subsistence values. The Secretary personally weighed the evidence. We believe he made the right decision. And the Nation will benefit.

It is important to recognize that the same careful land use planning and new technology used at Alpine, in partnership with the State of Alaska and Native Corporations, and at other new fields and in the NPR-A, would also be used in the Coastal Plain. The differences are that:

- The Coastal Plain's wildlife, environmental and scenic values are not as significant as the Northeast NPR-A's values;
- The oil and gas potential of the smaller Coastal Plain area are, according to geologic studies, greater than the potential of the Northeast NPR-A; and
- Most land-based subsistence activities of the Inupiat people on the North Slope occur within the NPR-A, where the majority of our people live.

I urge the Bush Administration, this Committee, and Congress to look at the Coastal Plain on the merits. If they apply the same standards that were applied in opening Northeast NPR-A, they should support legislation to open the Coastal Plain.

11. CONCLUSION

Mr. Chairman, I appreciate the opportunity to present the North Slope Borough's views. Development of the Coastal Plain is of critical importance to our children's future and maintaining our culture.

We strongly urge the Committee to adopt energy legislation to open the Coastal Plain to a carefully regulated, environmentally sensitive program of leasing, exploration and development. Thank you.

The CHAIRMAN. Mr. Hood?

STATEMENT OF JERRY HOOD, INTERNATIONAL BROTHERHOOD OF TEAMSTERS, WASHINGTON, DC

Mr. HOOD. Mr. Chairman, I am Jerry Hood. I serve as special assistant to the general president for the International Brotherhood of Teamsters on energy. I am also the principal officer of local union servicing the entire State of Alaska.

I am here today in both my roles on a local level and an international level to convey our support and general president Hoffa's support for the Energy Security Act that you have introduced today.

I am going to abbreviate my comments due to the length of the hearing today. I would ask that my written statement be entered in the record.

Mr. YOUNG. Without objection.

Mr. HOOD. I would like to clarify some misconceptions Congressman Markey brought forward with regard to the red dot. The drillers didn't submit that mousepad to the Members of Congress. It was not Arctic Power that submitted the mousepad to the Members of Congress with the red dot. It was the Teamsters.

And we take umbrage, as well as Mr. Markey did, to some of the distortions that take place when discussions of development of the Coastal Plain of ANWR take place.

Everywhere I go, I see pictures of beautiful mountains and caribou on those mountains and saying that we are going to drill there. That is not true. We are not going to drill in those mountains.

We are going to drill on the Coastal Plain section 1002 that was designated by Congress for that purpose because of its potential for oil and gas contribution to America's energy independence.

Alaskans have a 30-year history of prudent, safe, sound, environmentally responsible oil development in our state. We think that the same attitude can be accomplished in the Coastal Plain of ANWR as well with the technology that exists today.

There is a group of people in Alaska that were environmentalists long before there were bullet faxes, mail solicitations, and phone banks. They have cared for that land for centuries. They are the Inupiat Eskimos.

They live off that land. They don't have 7-11 stores. They don't have Safeway stores to go buy groceries. That land is their grocery store.

And I submit to you, Mr. Chairman, that if there was a chance that this land would be destroyed, it would decimate their subsistence lifestyle, and they would not be here today supporting this issue.

So I think it is a native rights issue. They own 92,000 acres of land within the Coastal Plain. That is private land that they cannot touch unless Congress says they can. And I think that is an important consideration for this Committee and this Congress as well.

OPEC has been mentioned, the importation of foreign oil. Up until recently, we imported 700,000 barrels of oil a day from Iraq. At the same time, our military forces have put their lives on the line defending the no-fly zone for what purpose? To protect that foreign source of oil for this country.

The money we spend in Iraq goes to build missiles and chemical weapons that are aimed at our allies, Israel. That doesn't make a whole lot of sense to me or the members that we represent.

We represent 600,000 truckers across this country that deliver 80 percent of the freight. They depend on a reliable and dependable and affordable source of fuel for their trucks.

It was mentioned in earlier testimony that some of those truckers have gone out of business because they couldn't compete in the marketplace. We are messing with an infrastructure in our country, the delivery of freight, that is going to have severe ramifications on each and every American, not just those of us in Alaska that support this issue.

So while many may consider a vote for this bill as a vote for the big, bad oil industry, I see it as something else. I see it as a vote for increasing the United States energy independence. I see it as a vote for national security. I see it as a vote to support oil production where it is done using the most environmentally sensitive methodology in the entire world. I see it as a vote for American rights. I see it as a vote to keep the power on in 12,000 low-income Maryland homes that was just reported Sunday that they may lose their utilities because they can't afford to pay their bills.

But most importantly, I see it as an opportunity to put Americans, and specifically Teamsters, to work. When we have lost 400,000 jobs since the first of the year in this country—good-paying jobs, not service sector jobs but high-tech, high-skilled and well-paying jobs—we have lost 500,000 jobs in the oil industry over the last decade, many of whom were Teamster members and many of whom were the members that I represent in the State of Alaska.

So I urge the support this legislation. Thank you.

[The prepared statement of Mr. Hood follows:]

Statement of Jerry Hood, Special Assistant to the General President for Energy, International Brotherhood of Teamsters

Mr. Chairman and Members of the Committee:

My name is Jerry Hood, Special Assistant to the General President for Energy at the International Brotherhood of Teamsters and Principal Officer of Teamsters Local 959 in Alaska. In my roles as a Teamster official at the local and international levels, I am here today to convey the support of my union, its 1.5 million members, and our General President James P. Hoffa, for the House "Energy Security Act."

However, my support of this legislation does not end with my union affiliation. As a consumer, as an Alaskan, and as a father, I urge you to vote for the "Energy Security Act."

As a consumer, I support this bill. While some opponents of increasing energy supply would like you to believe that there is no energy crisis, the evidence is incontrovertible. This past winter, working families from central and northeast states were faced with record high home heating bills. Rolling blackouts have plagued California for two straight summers. Gasoline prices continue to put the squeeze on low and middle income Americans, forcing many to cancel summer vacations.

And, just this past Sunday, the Baltimore Sun ran a story on 12,000 low-income Maryland families who face the very real possibility of having their utilities cut off. According to the article, these families are still trying to find a way to pay for their winter heating bills, due to the fact that the cost of fuel has doubled and tripled over the previous year.

While the article focuses on metropolitan Baltimore, it also paints the picture of a growing national crisis. More than four million households in 19 states face a similar fate—having their power cut off during the hottest days of summer. The article also notes that low-income families are hit especially hard by skyrocketing energy costs, as they tend to spend three times more of their income on energy costs than medium-income families.

For these consumers—the 12,000 in Maryland and the 4.3 million nationwide—the energy crisis is more than a subject to be debated on Sunday mornings. It is a reality that hit them this winter, continues to haunt them today, and threatens to permanently harm their ability to provide for their families.

As an Alaskan, I support this bill. For decades, we have been proving that the need to provide energy for Americans can be balanced with the need to protect the environment. Since the opening of Prudhoe Bay in the early 1970's, the State of Alaska played a critical role in increasing the United States' energy independence—

providing, at its peak, more than 2 million barrels a day. Even with the recent decline in oil production, Alaska still supplies the country with one fifth of its domestic oil. And we have accomplished this with minimal impact to the environment, which is one of the reasons why 75% of Alaskans support the opening of ANWR.

Alaskan oil is produced using the cleanest, most technologically advanced, environmentally sensitive methods in the world. We—Alaskans—set the standard for the industry. This is due, in no small part, to a group of environmentalists who have played a critical role in ensuring that we produce oil in Alaska in the most responsible manner possible. Unlike most environmental groups, this one does not have an office in Washington, D.C. That is because this group has, for generations, lived in Alaska, in ANWR, in Section 1002, in the village of Kaktovik.

This group is the Inupiat—a community indigenous to the North Slope of Alaska. Long before there were phone banks, blast faxes, or direct mail solicitations, the Inupiat cared for the land in and around ANWR. For centuries, the Inupiat have balanced their need to use the land and its resources with a desire to ensure that those resources would remain for future generations. With the introduction of oil production in the 1970's, the Inupiat continued their role as stewards of the land.

In light of this history, I find it unconscionable that Congress would prohibit the people of Kaktovik from utilizing the petroleum resources that lie beneath their own, private lands. However, that is the reality today. If any member of Congress considers himself or herself to be an advocate for the native peoples of this country, then there is only one option—give the Inupiat people the right to use their lands to provide for their families. I ask you—Who in this room could possibly believe that he or she is more qualified than the Inupiat on the issue of protecting the North Slope of Alaska?

As a father, I support this bill. The United States is increasingly dependent on foreign nations for its energy needs. Our dependence on foreign oil, in particular, leaves us vulnerable to the whims and machinations of unscrupulous foreign nations.

Earlier this year, Iraq was supplying 700,000 barrels of oil to our country every day and using the revenues to buy chemicals, missiles, and other weapons of mass destruction that are designed for use against our allies—particularly Israel. At the same time, United States military personnel put their lives on the line every day to enforce the no fly zone, all because of our need to protect the oil supply in the region. This makes no sense.

Even nations that are not preparing for war against our allies do not hold paramount the effect of oil pricing on our national security. Their chief concern, of course, is profit. OPEC unabashedly holds back supply in order to keep prices high; as our domestic energy supplies decrease, so does our ability to respond to this price fixing.

Today, we are dependent on foreign nations for more than 50% of our oil supply. While this may not seem that dire under current circumstances, it will become a real problem in a time of crisis or international conflict. We should set, as a minimum, the goal of decreasing our dependence on foreign oil to less than 50%. While conservation and efficiency measures can help us in meeting that goal, it cannot be done without increasing domestic supply. It cannot be done without the efforts set forth in this bill.

Finally, as a Teamster, I support this bill. Every day, more than 600,000 Teamsters start their day by turning a key to an 18-wheeler, a bus, a cab, or a delivery van. Two hundred thousand Teamsters work in industries or for companies that would directly benefit from the opening of ANWR. For these men and women, a reliable and affordable source of petroleum isn't just important—it is critical to their livelihood.

In addition, the Wharton Econometrics Institute estimates that opening ANWR will create 735,000 jobs throughout the United States. Many of these jobs will be in the energy industry, which is among the most unionized industries in the country. We estimate that over 25,000 of those jobs will go to Teamsters—in direct oil production related jobs alone. The potential to create jobs—good paying, secure jobs with decent benefits—is overwhelming.

However, this is not just about job creation; it is about job preservation. In the last decade, more than 500,000 jobs have been lost in the domestic oil and gas industries. Many of those were Teamsters jobs. Many of those were members of my local. In every industry, the jobs losses are mounting. Already this year, 400,000 jobs have disappeared from the American economic landscape. If we do not act now to reinvigorate the economy, particularly the domestic energy industry, this trend will continue. Congress must act now to reverse it.

In other words, while many of you may consider a vote for this bill as a vote for the big, bad oil industry, I see it as something else.

I see it as a vote for increasing the United States' energy independence. I see it as a vote for national security. I see it as a vote to support oil production where it is done using the most environmentally sensitive methods in the world. I see it as a vote for Native American rights. I see it as a vote to keep the power on for 12,000 low income Marylanders.

Most importantly, I see it as a vote to put Americans, including Teamsters, to work.

For these reasons, I urge you to vote for the "Energy Security Act."

The CHAIRMAN. I thank you, Mr. Hood.
Mr. Kolton?

**STATEMENT OF ADAM MICHAEL KOLTON, ALASKA
WILDERNESS LEAGUE, WASHINGTON, DC**

Mr. KOLTON. Mr. Chairman and members of the Committee, thank you for the opportunity to testify on the Energy Security Act, H.R. 2436.

My name is Adam Kolton, and I am the Arctic campaign director for the Alaska Wilderness League, a nonprofit organization based here in Washington, D.C., that serves as a voice for Alaska's wilderness.

I am pleased to be accompanied today by Ken Whitten, who was a chief caribou research biologist for Alaska's Department of Fish and Game for two decades before retiring last year. Ken will be happy to answer any questions members of the Committee might have.

Mr. Chairman, we strongly oppose Title V of H.R. 2436 as it would change the law to mandate oil and gas leasing, exploration and development in the Arctic National Wildlife Refuge Coastal Plain, the area that the United States Fish and Wildlife Service considers the biological heart of the Arctic refuge.

If enacted, Title V would reverse more than four decades of environmental progress begun under President Eisenhower, who had the vision and foresight to protect the northeast corner of Alaska in 1960. Drilling would drive a stake in the heart of the wildest place left in America.

Far from a mere footprint, drilling would require hundreds of miles of roads, pipelines, and other industrial facilities scattered all across the Delaware-size Coastal Plain.

Critical habitat for vast free-roaming herds of caribou, denning polar bears, grazing musk oxen, and nesting migratory birds would be destroyed, and the wilderness values of the last 5 percent of Alaska's North Slope still off-limits for oil exploration and development would be lost forever.

What is the payoff? Ten years from now, after exploratory wells and drill pads and airstrips and roads invade this landscape that William O. Douglas once called "the most wondrous on God's Earth," we might just tap enough oil to meet 1 percent of our daily demand. Not enough to lower electricity, home heating oil or gasoline prices for consumers anywhere in America, and certainly not enough to lessen our dependence on imported oil.

Of course, drilling proponents argue the opposite. But the facts are inescapable. With less than 3 percent of the world's oil reserves, we cannot drill our way to energy independence.

Recall that when Alaska's Prudhoe Bay oil field came online in 1977, average United States gasoline prices nearly doubled within 4 years. And if one looks at realistic estimates from the United States Geological Survey, the Arctic refuge is unlikely to produce anything close to that giant field.

Mr. Chairman, with your permission, I would like to submit for the record a new report by an Alaskan economist that puts in better perspective the USGS numbers in terms of what is economically recoverable from the refuge.

The CHAIRMAN. Without objection.

[The report has been retained in the Committee's official files.]

Mr. KOLTON. Thank you.

If the Energy Information Agency is right about oil prices in 2010, roughly 3.2 billion barrels of oil will be economically recoverable from the refuge.

Far from the only option for increasing Alaska oil production, even the industry projects having enough oil from lands already open to development to keep the Trans-Alaska pipeline flowing with oil for at least another three decades.

What about creating jobs or helping to address California's needs? We do not oppose a new natural gas pipeline, provided it complies with environmental laws and stays within existing right-of-way corridor, such as the Alaska and Alcan Highways.

But let's be clear: Government estimates demonstrate that there is five times the amount of natural gas outside the refuge, elsewhere in the North Slope, than might exist in it.

Of course, before any major new projects are undertaken, we would like to see the industry clean up the mess it has already made. More than 55 contaminated waste sites and 250 reserve pits litter the North Slope; 400 spills of diesel crude oil, acid seawater, and other substances have been occurring each year.

Like the more than 500 scientists who recently wrote President Bush to oppose drilling in the Arctic refuge, we do not believe it is possible to explore, drill and produce oil from the Coastal Plain without undermining its incomparable wildlife and wilderness values.

Still, with this being the goal to Title V, it is remarkable how little its specific provisions would do to limit the damage to the Coastal Plain. Among other things, the bill eviscerates National Environmental Policy Act, gives the Secretary the discretion to allow drilling during critical wildlife cycles, allows the industry to drain the Coastal Plain's scarce supplies of freshwater, places no limitations on intrusive seismic exploration, and fails to ban gravel mining or even permanent road construction.

We respectively urge the Committee to reject Title V of the Energy Security Act. History, our children, and our grandchildren will judge us well if we have the courage and foresight to leave this incomparable national treasure alone.

Thank you for the opportunity to testify.

[The prepared statement of Mr. Kolton follows:]

Statement of Adam Kolton, Arctic Campaign Director, Alaska Wilderness League

Mr. Chairman, Congressman Rahall, and members of the committee, thank you for the opportunity to testify on the “The National Energy Security Act (NESA) of 2001.” My comments focus on Title V of the legislation, which would authorize exploration and development of the Coastal Plain of the Arctic National Wildlife Refuge in Alaska.

My testimony has been endorsed by the Alaska Center for the Environment, the Alaska Conservation Alliance, the Alaska Chapter of Sierra Club, and Trustees for Alaska. It has also been endorsed by the Alaska Coalition, which is made up of more than 500 conservation, sporting, religious and other public interest groups representing millions of Americans.

SUMMARY

We oppose Title V of NESA as it would change the law to allow oil and gas exploration and development in the Arctic National Wildlife Refuge. The Arctic Refuge is America’s greatest wilderness, protecting more abundant and diverse wildlife than any area in the circumpolar north. The U.S. Fish and Wildlife Service considers the 1.5 million-acre Coastal Plain, the area now targeted for prospective oil and gas development, to be the “biological heart” of the entire refuge and its “center of wildlife activity.” The Coastal Plain also represents the only five percent of Alaska’s North Slope that is protected, by law, from oil and gas exploration or development. In short, we firmly believe the Arctic National Wildlife Refuge is unique, not only to Alaska, but to the world, and should remain as it has since President Dwight Eisenhower first protected the northeast corner of Alaska in 1960, free of industrialization.

I. POLITICAL HISTORY OF THE ARCTIC NATIONAL WILDLIFE REFUGE

Some have argued that the Coastal Plain—the so-called “1002 Area”—was expressly set aside for its oil and gas potential. This claim relies primarily on the fact that Congress failed to designate the area as Wilderness in ANILCA and, in the same law, authorized limited, one-time seismic studies of the area’s energy potential.¹ This argument ignores the purposes for which the area was originally protected and the real history of ANILCA.

Research and field studies by government and independent scientists in the 1930’s, 40’s and 50’s led the Department of the Interior to recommend that the Northeast corner of Alaska be protected as part of a new conservation area. In response, in 1960 President Dwight Eisenhower urged Congress to pass legislation preserving this “priceless” wilderness of the Arctic.²

Eisenhower’s Arctic Wilderness Bill. In sending Eisenhower’s Arctic Wildlife Range legislation to the Congress, Secretary of the Interior Fred A. Seaton singled out this 9-million-acre area as “biologically irreplaceable land,” explaining that it “offers the only opportunity for this Nation to preserve an undisturbed portion of the Arctic large enough to be biologically self-sufficient.”³

Eisenhower’s Arctic wilderness legislation proposed to establish the area “in order to preserve, in the public interest, a magnificent wildlife and wilderness area.”⁴ Thus, as a matter of conservation history, Eisenhower’s Arctic Wildlife Range bill was the first legislation ever proposed by a president explicitly linking preservation of wilderness habitat to the achievement of wildlife refuge goals—an ecologically-enlightened concept now accepted as fundamental to preserving complex communities of wildlife species which, as Seaton said, “require a sizeable unrestricted range”.

Stressing that the purpose of the Range would be the preservation of “wildlife and wilderness values,” Seaton stressed that use of the area for other purposes would be “permitted in a manner that would not impair the intent of this legislation.” With extraordinary foresight, Seaton told Congress “

Looking ahead 50 years to the unfolding story of Alaska’s development, it is clear that the only economically feasible opportunity for maintaining a wilderness frontier large enough for the preservation of the caribou, the grizzly, the Dall sheep, the wol-

¹ Alaska National Interest Lands Conservation Act, Section 1002, 16 USC 3143

² Special Message to the Congress on the Legislative Program, May 3, 1960.

³ “Secretary Seaton Sends Arctic Wildlife Range Bill to Congress,” U.S. Department of the Interior press release, May 1, 1959.

⁴ Section 1 of draft legislation to authorize the establishment of the Arctic Wildlife Range, Alaska, as transmitted with a covering letter from Fred. A. Seaton to Hon. Sam Rayburn, April 30, 1959 (emphasis added).

verine, and the polar bear, all of which require a sizeable unrestricted range, lies in this northeastern Arctic region of the State.”

For the wilderness explorer, whether primarily a fisherman, hunter, photographer, or mountain climber, certain portions of the Arctic coast and the north slope river valleys, such as the Canning, Hulahula, Okpilak, Aichilik, Kongakut, and Firth, and their great background of lofty mountains, offer a wilderness experience not duplicated elsewhere in our country.⁵

Senate Failed to Act, So Eisenhower Used Executive Authority to establish the Arctic Wildlife Range

In one of its proudest achievements for conservation, the House of Representatives passed Eisenhower’s bill to establish the Arctic Wildlife Range in February 1960. However, opposition from Alaska’s senators blocked any Senate action on the bill. In response, Eisenhower instructed Secretary Seaton to use executive authority to protect the area.

Eisenhower’s Public Land Order Establishes the Wilderness Refuge. On December 6, 1960, as instructed by Eisenhower, Secretary Seaton issued a Public Land Order establishing the Arctic National Wildlife Range “by virtue of the authority vested in the President” “for the purpose of preserving unique wildlife, wilderness and recreational values.”⁶ In a press release, Secretary Seaton explained: “In these circumstances I felt it my duty, in the public interest, to move as promptly as possible to take the steps administratively which would assure protection and preservation of the priceless resource values contained in the proposed Arctic National Wildlife Range.”⁷

Quid Pro Quo Opens Other Federal Lands to Oil Development. At the same time, Seaton lifted withdrawals on approximately 20 million acres of North Slope federal lands to the west of the new Arctic Wildlife Range. An assistant to Secretary Seaton acknowledged that the opening of the federal lands to the West for state selection and potential oil development was a quid pro quo for leaving the new Arctic Wildlife Range undeveloped.⁸ Large portions of those lands were soon selected by the State of Alaska under its statehood grant and became the site of the extensive petroleum operations in the Prudhoe Bay area.

Expanding the Arctic Refuge and Further Protecting the Arctic Coastal Plain

As was common at the time, the original Wildlife Range was viewed as a multiple purpose area, but other uses—such as mineral leasing—were secondary to “a primary purpose of providing permanent habitat for Arctic wildlife.” Since 1960 we have learned much more about the complex and fragile wilderness ecosystem, and ever greater value has been placed on the preservation of the totally unmarred wilderness of the Arctic Refuge.

In what was to become a pattern, the Alaska congressional delegation strongly opposed the Eisenhower Administration’s establishment of the Arctic National Wildlife Range. In a statement that was to prove prophetic, Secretary Seaton noted that while Congress could override his Public Land Order, “I cannot believe that such action would be taken in view of the unparalleled wildlife, wilderness and scenic values involved in the new range.”⁹ Indeed, in subsequent decades, Congress—led by the House of Representatives—has repeatedly strengthened the protection of the Arctic Range.

Alaska National Interest Lands Conservation Act of 1980 (ANILCA). In 1971, President Richard Nixon signed the Alaska Native Claims Settlement Act (ANCSA),

⁵Fred A. Seaton to Hon. Sam Rayburn, April 30, 1959, transmitting draft legislation to authorize the establishment of the Arctic Wildlife Range, Alaska.

⁶Public Land Order 2214, December 6, 1960, 25 Fed. Reg. 12598 (emphasis added). The Secretarial Order was based on an application from the Bureau of Sports Fisheries and Wildlife, November 18, 1957. A notice of this application was published in January 1958, explaining that “The applicant desires the land for an Arctic Wildlife Range for the preservation of the wildlife and wilderness of northeastern Alaska.” 23 Fed. Reg. 364.

⁷“Secretary Seaton Establishes New Arctic National Wildlife Range,” U.S. Department of the Interior press release, December 7, 1960.

⁸“Some of the very interests [conservation groups in Alaska and nationally] which are pressing for the establishment of this area [the Arctic Wildlife Range] have withstood or resisted the attempts to restore this Public Land Order 82 area [west of the Range] to public domain previously. We think that this [establishment of the Wildlife Range] is a confidence-building factor as we move step by step to demonstrate to these people who are so interested in the preservation of some conservation lands in Alaska.” U.S. Congress, Senate, Arctic Wildlife Range—Alaska, Hearings before the Merchant Marine and Fisheries Subcommittee of the Committee on Interstate and Foreign Commerce on S. 1899, a bill to authorize the establishment of the Arctic National Wildlife Range, Alaska, and for other purposes, 86th Congress, 1st Session, 1959.

⁹“Secretary Seaton Establishes New Arctic National Wildlife Range,” U.S. Department of the Interior press release, December 7, 1960.

which also set in motion comprehensive studies of federal lands in Alaska that might be given stronger conservation protection. As a result of these studies, developed during the administrations of Presidents Nixon and Gerald Ford by Secretary Rogers C.B. Morton, in 1980 the Congress and President Jimmy Carter doubled the size of the Range through ANILCA. Most of the core Refuge area originally set aside by President Eisenhower in 1960 was further protected as an 8-million-acre statutory wilderness pursuant to the 1964 Wilderness Act. Thus, as the heritage of great bipartisan effort over more than four decades, with particular leadership from the House of Representatives, today we have the 19-million-acre Arctic National Wildlife Refuge.

The Arctic Coastal Plain. In the 1980 law, a portion of the Coastal Plain of the original Eisenhower wildlife range was not designated as Wilderness, but the wildlife and wilderness values—having been so strongly supported in the House passed version of the bill, were given the next best thing: a prohibition on commercial oil leasing, exploration, development and production that could only be reversed by a future Act of Congress.¹⁰ Furthermore, the Coastal Plain area was withdrawn from mining and mineral leasing laws.¹¹ This is the area that continues under debate today.

It is worth noting that the House of Representatives overwhelmingly passed full statutory wilderness protection for the Coastal Plain in 1978 and again in 1979. The Senate had been poised to do the same, but negotiations led to the compromise language that expressly prohibited oil development on the Coastal Plain. While authorizing further study of the area's oil potential, the legislation also required an assessment of its wildlife and wilderness values—oil was certainly given no preference. In neither the proclamation establishing the Arctic Wildlife Range nor in ANILCA were the purposes of the Coastal Plain defined to include oil exploration and development. Given that the Coastal Plain was part of Eisenhower's original Range and that ANILCA only strengthened statutory protections for the area, it is not reasonable to conclude, as some have, that the Coastal Plain was set aside for its energy resources.

II. WHY THE COASTAL PLAIN MERITS PERMANENT PROTECTION

Nowhere else in Alaska's Arctic are the mountains and glaciers of the Brooks Range as dramatically close to the coastline as in the Arctic Refuge. Looking back across the Coastal Plain from the shoreline of the Beaufort Sea, the mountains lie only ten to forty miles away. Farther west, near the oil fields at Prudhoe Bay and the National Petroleum Reserve, the mountains are between 100 and 200 miles in the distance. Those who surveyed Alaska's Arctic in the last century determined that the Northeast corner of the state provided the best opportunity to protect a complete range of arctic and sub-arctic ecosystems. It was the only place where, in one conservation system unit, America's northernmost forest, the highest peaks and glaciers of the Brooks Range, and the barrier islands, lagoons, braided rivers, and rolling tundra of the Coastal Plain could be protected.

Some have sought to belittle the wilderness values of this area, noting that it is "flat" and "treeless." Yet, the Reagan Administration's 1987 Arctic National Wildlife Refuge Coastal Plain Resource Assessment Report concluded that the area "has outstanding wilderness qualities: scenic vistas, varied wildlife, excellent opportunities for solitude, recreational challenges, and scientific and historic values." The Reagan report also determined that, with the exception of two abandoned DEW (Defense Early Warning) line sites along the coast, the entire Coastal Plain meets the criteria under the 1964 Wilderness Act. During the summer of 2000 the buildings and infrastructure from these sites was removed.

Wilderness designation of the Coastal Plain will ensure that at least one portion of Alaska's North Slope will forever remain free from industrialization. Because of the primary ecological value of the Coastal Plain to the remainder of the Refuge as well as the adjacent lands in Canada (some of which are protected as National Parks), it is imperative that the strongest protection be given to this very special area.

Wilderness designation of the Coastal Plain will also afford permanent protection to the greatest abundance and diversity of wildlife along Alaska's arctic coast. More than 200 species call the Coastal Plain home, including musk oxen, polar bears and grizzlies, wolves and wolverines, and migratory birds that fly to or through four continents and nearly every state.

¹⁰ ANILCA, Section 1003.

¹¹ ANILCA, Section 1002(i).

Most notably, the Coastal Plain is the site of one of our continent's most awe-inspiring wildlife spectacles: the annual gathering of nearly 130,000 caribou. Each year, the Porcupine (River) Caribou Herd migrates 1,400 miles across Alaska and Canada, typically arriving on the Coastal Plain in late May where the females give birth to as many as 50,000 calves. Even in the rare years when the Porcupine Herd has calved in Canada because of snow conditions, the herd has always moved west to the Arctic Refuge Coastal Plain for the post-calving season. The desirable coastal habitat has served as a birthplace and a nursery ground for these caribou for centuries.

While there are larger herds of caribou in Alaska, none calve in so restricted an area as the Porcupine Herd. The relatively narrow Coastal Plain has fewer predators and far better foraging opportunities than the adjacent Brooks Range and provides extremely favorable insect relief habitat due to its close proximity to the Beaufort Sea and lagoons.

No other caribou herd in North America is subject to international treaty obligations, and no other herd is as heavily relied upon by native people for sustenance and as a central part of their culture. The Gwich'in people of Alaska and Canada have settled in 15 villages along the migratory route of the herd. In some of their communities, up to 80 percent of their diet comes from caribou and other wild meat.

The United States is also party to an agreement on the conservation of polar bears. That treaty obligates our nation to protect polar bear ecosystems with special attention given to denning and feeding sites. The Coastal Plain has the highest density of land-denning polar bears on Alaska's North Slope.

BIPARTISAN SUPPORT FOR WILDERNESS DESIGNATION

Several years after passage of the 1980 Alaska Lands Act, Representative Morris K. Udall (D-AZ) introduced legislation to designate the Coastal Plain as Wilderness. Senator William Roth (R-DE) introduced a companion measure in the Senate. This year, Representatives Ed Markey (D-MA) and Nancy Johnson (R-CT) are sponsoring that same legislation, now named the Morris K. Udall Wilderness Act (H.R. 770). Together with its Senate companion measure sponsored by Senator Joseph Lieberman (D-CT), H.R. 770 has more bipartisan cosponsors than any other wilderness proposal before this Congress.

In simple fairness, we urge the Committee to hold hearings on this legislation and provide an opportunity for its consideration when the House debates the fate of the Arctic National Wildlife Refuge in the coming weeks.

The American people want to see the Arctic Refuge protected for future generations, not exploited for a short-term supply of oil. In a recent bipartisan poll conducted by Greenberg Quinlan Research and the Tarrance Group, 62% of Americans opposed drilling in the Arctic Refuge while only 34% supported development. Similarly, a new Gallup poll released last week demonstrated that proposed Arctic Refuge drilling is the least popular part of President George W. Bush's proposed "National Energy Strategy."

III. ARCTIC REFUGE OIL POTENTIAL: A DROP IN THE NATIONAL BUCKET

Policy-makers and the press have used a wide range of numbers to characterize the potential oil and gas resources of the Coastal Plain. Although no one can say for sure how much oil and natural gas—if any—the area may hold, a great deal of information is available from the U.S. Geological Survey's 1998 report which summarized a three year analysis of geologic information, re-processed seismic data, results from nearby test wells, and economic modeling to come up with a range of projections of the area's oil and gas resources.

As the attached new report, "Understanding the U.S. Geological Survey Analysis of Estimated Oil Beneath the Coastal Plain of the Arctic National Wildlife Refuge," prepared for the Alaska Wilderness League by Dr. Richard Fineberg,¹² makes clear, drilling proponents have significantly exaggerated the area's energy potential. For example, some have claimed that the Coastal Plain is likely to hold up to 16 billion barrels of oil. This figure comes from the USGS's 5% probability-estimate (1-in-20 chance) of finding technically recoverable oil from an area larger than the actual Coastal Plain (1002 study-area) that includes the adjacent State offshore and Native lands. The correct 5% (low probability) estimate for technically recoverable oil from the actual 1002 area is 11.8 billion barrels of oil and the mean estimate is 7.7 billion

¹²The author, Dr. Richard A. Fineberg of Ester (Fairbanks), Alaska, is an independent analyst who specializes in economic and environmental issues related to North Slope development and the Trans-Alaska Pipeline System. A copy of the report may be obtained by contacting the Alaska Wilderness League.

barrels. It is important to note, however, that these estimates do not take into account the costs associated with producing that oil, or the effects of oil prices on commercial viability.

Large oil fields that demonstrate the importance of the distinction between a technically recoverable resource and an economically recoverable resource have already been discovered on the North Slope. One example is the West Sak field near Prudhoe Bay. That field is estimated to hold approximately 20 billion barrels of heavy oil. Much of that oil is technically recoverable, but the economics are not favorable—it would cost too much to produce. To deal with problems of this nature, it is customary to apply economic analysis to geological information. USGS followed this customary practice.

The USGS projected that oil prices would have to be sustained at above \$15.30 per barrel (in 1996 dollars) for any oil from the Arctic Refuge to be commercially viable. Adjusting for inflation, this translates to \$16.53 per barrel in current dollars. While lower than today's average prices, the Alaska Department of Revenue projects that average prices in 2010, when Arctic Refuge oil might first be available (if leasing were approved and oil were discovered), would average \$17.30 per barrel. Adjusting for inflation, this figure equates to \$14.19 per barrel in today's dollars. If the State of Alaska's forecast is correct, then it's possible that no oil from the Coastal Plain will be economic to produce.

According to the USGS, at a price of \$20 per barrel (in 1996 dollars) the Coastal Plain would likely yield 3.2 billion barrels of oil or the equivalent of what the U.S. consumes in less than 6 months. Adjusting for inflation, the price necessary to sustain production at this level would be \$21.60 in 2001 dollars. The Energy Information Agency forecasts that prices will average \$22.12 in 2010, slightly above the price necessary to yield this amount of oil.

To be sure, oil prices are higher than that today. But the sudden, unpredicted and precipitous price swings that have characterized world oil prices for the past three decades have taught the industry the perils of basing tomorrow's forecast on today's oil prices.¹³ Oil executives will tell you that their investment decisions are not made on today's prices, but on their assessment of future conditions.

One of the most important conclusions of the USGS report is that the geology of the Arctic Refuge Coastal Plain does not favor discovery of oil in one super-giant field like Prudhoe Bay. In contrast to previous analyses, USGS now believes that production from the Coastal Plain is likely to come from approximately five smaller accumulations that might be discovered among 33 discrete pockets spread out across the entire Delaware-sized area. In other words, production of mean estimate volumes would require development of multiple fields across a wide area, not a mere "footprint the size of Dulles Airport," as some have suggested.

Proponents of Arctic Refuge oil drilling have not only mischaracterized the amount of oil that might lie beneath the Coastal Plain, but the impact this oil might have on energy costs paid by American consumers and our nation's energy security.

Oil prices are determined principally by global supply and demand, not the presence or absence of an individual field. Consider the case of Prudhoe Bay. In 1976—the year before the nation's largest oil field ever discovered entered production—a barrel of West Texas Intermediate (WTI) crude oil sold for \$12.65 and standard gasoline averaged \$0.59 per gallon. Two years later, with Prudhoe Bay adding more than a million barrels per day to domestic supply, WTI had increased by more than 15% (to \$14.85 per barrel) and gasoline averaged \$0.63 per gallon. During the next two years, as Prudhoe production increased, oil prices skyrocketed to \$37.37, while gasoline nearly doubled, to \$1.19 per gallon. In 1985, with Prudhoe Bay and Kuparuk both operating at full throttle, a barrel of WTI sold for more than \$28 and gasoline averaged \$1.12.¹⁴

Similarly, Arctic Refuge oil would do nothing to reduce the price that consumers pay for gasoline, home heating oil, or electricity. When Congress lifted a two-decade-old ban on the export of Alaska oil in 1995, the oil companies vociferously argued that there is no connection between Alaska oil production and prices paid by U.S. consumers. Last year, British Petroleum made the same argument in its filings with the Federal Trade Commission during that agency's consideration of its proposed takeover of Arco.

More egregiously, some have tried to use the current electricity crisis in California to make the case for oil drilling in the Arctic Refuge. With less than 1% of its electricity derived from oil, California would realize no benefit from Arctic Refuge oil.

¹³ *The Future of Oil Prices: The Perils of Prophecy* (Cambridge, MA and Chicago: Cambridge Energy Research Associates and Arthur Andersen & Co., 1984), p. iii.

¹⁴ "Price history, crude oil, natural gas and motor gasoline," *International Petroleum Encyclopedia*, 1989 (Tulsa: Pennwell, 1989), p.337.

Some have suggested that natural gas could be produced from the Coastal Plain and be used for electricity and other purposes. This assertion ignores two basic facts. First, tapping any natural gas from any part of Alaska will require the construction of a new pipeline costing \$10–15 billion to which the industry has yet to commit. Secondly, there are between 26–35 TCF of gas already discovered in the immediate vicinity of Prudhoe Bay compared to the 7 TCF of technically recoverable natural gas the USGS says might lie beneath the Coastal Plain.¹⁵

With respect to arguments that drilling the Coastal Plain would somehow enhance our nation's energy security, I would simply point out that using any of the realistic USGS estimates of economically recoverable oil, which range from 0 to 5.2 billion barrels of oil, Arctic Refuge oil drilling will not curb our nation's dependence on imports. Since the U.S. has less than 3% of the world's oil reserves and no prospective provinces that rival the much larger fields of the Middle East and the former Soviet Union, it is simply not possible for us to drill our way to energy independence.

By contrast, increasing the average fuel economy of our nation's cars and sport utility vehicles to 39 miles per gallon would save 15 times the amount of oil that the Coastal Plain might yield. This far more rational investment would dramatically lower prices for American consumers and greatly reduce our tab for, and dependence on, imported oil. Simply requiring that replacement tires on American automobiles be just as good as those outfitted on new cars would also save more oil than the Arctic Refuge might hold.

IV. NORTH SLOPE: SIGNIFICANT OIL RESOURCES OUTSIDE REFUGE

As recently as 1995, drilling proponents asserted that the Trans-Alaska Pipeline System (TAPS) would run dry shortly after the turn of the century without oil from the Arctic National Wildlife Refuge.¹⁶ These claims looked specious and misleading at the time; it is now clear how wrong they were. Enhanced oil recovery from existing fields and discoveries of new ones have prompted the TAPS owners to predict at least another three decades of Alaska oil production without drilling the Arctic Refuge or even the National Petroleum Reserve-Alaska (NPR-A). In the oil companies' application to renew their State lease and Federal right-of-way grant to operate TAPS, submitted May 2, 2001, they assume that North Slope production declines until 2020 but then levels out at 490,000 barrels per day (bpd) through 2034, the end of the proposed lease renewal period.¹⁷

Still, the TAPS owners' report suggests that even these production levels may be too low. For example, the report notes that rapid technological progress could result in a higher production level from existing fields in 2020 of 660,000 bpd; in this case, total production and production in 2034 could be higher than their baseline level.

The State of Alaska's own estimates confirm these optimistic projections. The Alaska Department of Revenue forecasts higher production levels for this decade than the TAPS owners baseline scenario, declining to 302,000 bpd in 2034.¹⁸ According to the TAPS owners' report, the State's projections "have consistently proven to be reliable over the near term ... [but] have proven to be conservative over the long term," and "successive projections have generally resulted in upward revisions

¹⁵ John H. Schuenemeyer, "Assessment Results," U.S. Geological Survey, The Oil and Gas Resource Potential of the Arctic National Wildlife Refuge 1002 Area, Alaska (Open File Report 98-34, 1999), Chapter RS, Table RS14.

¹⁶ For example, in the forward to the 1995 edition of a booklet advocating drilling in the Arctic Refuge, Alaska Governor Tony Knowles wrote, "According to a 1991 report by the U.S. Dept. of Energy, the North Slope fields currently using the Trans-Alaska Pipeline are expected to produce so little oil by the year 2009 that the pipeline could be abandoned" (The Arctic National Wildlife Refuge: Its People, Wildlife Potential, and Oil and Gas Resources [State of Alaska, Arctic Slope Regional Corporation and North Slope Borough, June 1995]). At the time the estimate used by the Governor was widely recognized as being out of date and probably wrong. In a letter to all employees dated Oct. 6, 1994, Alyeska Pipeline Service Co. President David Pritchard told Alyeska employees that expected investment in existing fields would keep the Trans-Alaska Pipeline operating until at least 2030. (See: Alaska Wilderness League, Litany of Lies Nov. 28, 1995, Attachment 1A.)

¹⁷ L.D. Maxim, "Trans Alaska Pipeline System Throughput Analysis," Feb. 15, 2001 (draft), in Trans Alaska Pipeline System Owners, Environmental Report for Trans Alaska Pipeline System Right-of-Way Renewal [draft], Vol. 2, Appendix A, pp. A-1—A-4 (May 2, 2001).

¹⁸ Alaska Department of Revenue, "Spring 2001 ANS Production Forecast—Total Liquids" (forecast through 2034), provided by Alaska Dept. of Revenue (calendar year = average of [state fiscal year + following state fiscal year]); for forecast through 2010 see: Alaska Department of Revenue Tax Division, "Historical and Projected ANS Production," Fall 2000 Revenue Sources Book, p. 90 (on-line at State of Alaska, Dept. of Revenue, Tax Division).

... as well as postponement of the year at which production is expected to fall below a certain benchmark.”¹⁹

Both the State of Alaska and the industry’s forecasts indicate that the North Slope can be expected to produce over seven (7.0) billion barrels of oil between 2002 and 2034—an average of more than 600,000 barrels per day. The TAPS owners’ assumptions result in total production ranging from 7.1 billion barrels (declining scenario) to 7.8 billion barrels (baseline). With production from known fields and no production from the Arctic Refuge or NPR–A, the State of Alaska’s production forecast for the same period is 7.7 billion barrels—more than double what USGS estimates might be produced from the Arctic Refuge Coastal Plain at oil prices of \$21.60 in 2001 dollars.

Recent discoveries in NPR–A and more aggressive development of the heavy oil deposits near Prudhoe Bay are likely to increase forecast production and further extend the life expectancy of TAPS.

Last winter, the National Petroleum Reserve–Alaska (NPR–A), to the west of Prudhoe Bay was the focus of intensive exploration by both Phillips Petroleum and BP. In May Phillips Petroleum announced the discovery of what the company believes to be three separate hydrocarbon deposits in NPR–A. Further evaluation of those discoveries is Phillips’ top priority for next winter’s drilling, while the company also plans additional NPR–A exploration.²⁰ News reports from the North Slope hint at the potential of the region to the west of the Prudhoe Bay complex, while the largest discovery in that region to enter production—Alpine—began producing in November. Said to be one of the ten largest fields in the United States, Alpine presently accounts for nearly ten per cent of the North Slope’s oil.²¹ As noted above, the Alaska Department of Revenue production totals do not include production from NPR–A.

Another source of potential future production is the large deposits of heavy oil in the West Sak and Schrader Bluff formations in the existing Prudhoe Bay complex. These deposits contain an estimated 20 billion barrels of heavy oil. The Alaska Department of Revenue’s long-range forecast includes approximately 740 million barrels of West Sak and Schrader Bluffs oil—less than four per cent of the total accumulation.²² The oil in these formations is comparable in quality to heavy crude oil in production in California; with production and transportation infrastructure in place, it is possible that the industry will find a way to bring greater quantities of this commodity to market.²³

The oil and gas industry companies that earned record-breaking profits for the year 2000 include the three major North Slope producers: BP, Exxon and Phillips Petroleum. An indication of the strength of these companies can be gleaned from recent Argus Research Company reports. This independent research company recommends the stock of all three companies and anticipates that the share price of each will increase significantly during the next 12 months.²⁴ Argus is particularly enthusiastic about BP, citing the company’s Alaska trade as a major reason for its optimism.

While government agencies do not publish reckonings of North Slope profits, a preliminary estimate indicates that during 2000 the North Slope producers earned

¹⁹Trans–Alaska Pipeline System Throughput Analysis, p. A–1. In this regard, it is interesting to note that the State’s current forecast exceeds its 1996 long-term production estimates by approximately 18 per cent (author’s calculation).

²⁰“Evaluation of Three NPR–A Discoveries Phillips’ Top Priority,” *Petroleum News Alaska*, June 2001, p. A13.

²¹See: “Spring 2001 ANS Production Forecast—Total Liquids” and *Petroleum News Alaska*, Feb. 2001, p. A24.

²²“Spring 2001 ANS Production Forecast—Total Liquids.”

²³Earlier this year, BP Exploration (Alaska) Inc. President Richard Campbell noted the potential of the West Sak and Schrader Bluff deposits, which he said contain an estimated 15 billion barrels of heavy oil that he described as “cold, viscous and very difficult to produce.” According to Campbell, “our heavy oil production technology is improving, and some of our recent wells have been very promising.” He added that recovery of just 10 per cent of that heavy oil “would be like finding another Kuparuk,” the nation’s second largest producing field, just west of Prudhoe Bay (Richard Campbell, “BP’s future in a word: Growth,” *Petroleum News Alaska*, January 2001, p. A1 [guest editorial]).

²⁴For a brief rundown of Phillips Petroleum’s stellar results since its acquisition of ARCO’s Alaska properties in March 2000, see section III. of my February 8, 2000 memorandum, “Alaska North Slope Development Prospects.” Argus Company Reports on the major North Slope companies were issued May 9 (BP Amoco PLC; rated “buy” with a 12-month target price of \$72 per share, approximately 44% above present levels), June 1 (Phillips Petroleum; rated “buy” with a 12-month target price of \$72 per share, approximately 30% above present levels) and June 12 (Exxon Mobil; rated “buy” with a 12-month target price of \$100 per share, approximately 15% above present levels).

more than \$9.50 per barrel after taxes on every barrel of North Slope oil they produced and delivered to refineries, resulting in total annualized profits of approximately \$3.5 billion.²⁵ The lion's share of those hefty profits are shared by three major oil companies that control more than 90 per cent of both North Slope production and TAPS.²⁶

V. PROVISIONS OF NESA INADEQUATE TO PROTECT UNIQUE ENVIRONMENT OF ARCTIC REFUGE COASTAL PLAIN

The National Energy Security Act (NESA) of 2000 asserts up front that a Coastal Plain leasing program will be "environmentally sound" and "will result in no significant adverse effect on fish and wildlife, their habitat, subsistence resources and the environment." Yet NESA's specific provisions fail to ensure that these lofty goals be met. Simply put, NESA fails to safeguard the extraordinary wildlife and wilderness resources of the Arctic National Wildlife Refuge Coastal Plain.

As an initial matter, NESA is remarkable for what it does not do to protect the Refuge. For example, the U.S. Fish and Wildlife Service states that the Coastal Plain does not have an adequate supply of fresh water to support both fish and wildlife and winter ice road construction or oil field operations. Yet the bill fails to ban the use of water from the braided rivers, ponds, and lakes of the Coastal Plain.

Similarly, the legislation does not prohibit the construction of permanent roads, either within individual fields or to connect separate ones. As a result, millions of cubic feet of gravel could be dredged from riverbeds to build these roads. This also belies the "small footprint" argument, as the failure to prohibit permanent roads make it more likely that the impact of development would spread throughout the Coastal Plain in all seasons.

NESA also exempts leasing regulations from analysis under the landmark precautionary environmental law of our nation—the National Environmental Policy Act. The bill declares that a 14-year-old analysis is sufficient for NEPA purposes. The fallacy of this provision is revealed by other provisions of the proposed legislation, which require, for example, that the Secretary "prescribe such regulations as may be necessary" to protect fish and wildlife, their habitat, subsistence resources, and the environment of the Coastal Plain. See Section 503(g)(1).

Moreover, the proposed legislation artificially restricts NEPA review of lease sales themselves by providing that only leasing alternatives can be considered and that only a preferred and a single leasing alternative be analyzed. The alternatives analysis is considered the "heart of NEPA" because it allows decision makers to evaluate the environmental impacts of the proposal as compared with the impacts of a number of possible alternatives to the proposal. This type of comparative analysis is critical to clearly defining the environmental issues at stake and to providing "a clear basis for choice among options." (40 CFR 1502.14). By artificially restricting the alternatives to be evaluated, the legislation ensures that decision makers and the public will be ill-informed about the environmental consequences of any lease sale proposal and will be forced to make decisions in a vacuum.

Additionally, the bill only allows the Secretary of the Interior to designate 45,000 acres of "Special Areas" in the Coastal Plain, an insignificant amount given the important calving, denning, and nesting habitat found throughout the 1.5 million acre area. Furthermore, NESA does not prohibit intrusive seismic exploration of Special Areas.

NESA also gives the Secretary the discretion to allow year round drilling of the Coastal Plain, rather than simply directing the Secretary to ban exploratory and development activities during critical denning, calving, and nesting periods for migratory or resident wildlife populations.

Further, NESA merely requires the use of the "best commercially available technology" for oil and gas operations. A more protective standard, used in clean water and other applications, would require that companies exploring, drilling, and producing oil from the Coastal Plain use the "best available technology," regardless of economic considerations. The proposed standard is thus not the most protective of

²⁵This preliminary estimate of Alaska production and pipeline is based on the model developed in the author's report, *How Much Is Enough? Estimated Industry Profits from Alaska North Slope Production and Associated Pipeline Operations, 1993–1998* (Anchorage: Oilwatch Alaska, 1998, Ch. 2), with revisions to 1998 data for changes in production, price, pipeline tariff and tanker costs. (Note: This estimate is limited to Alaska operations and therefore does not include profits on tanker, refining and marketing activities.)

²⁶British Petroleum (BP), Exxon Corporation and Phillips Petroleum produce more than 90 per cent of the North Slope's crude oil and own more than 90 per cent of TAPS (see: Richard A. Fineberg, *The Big Squeeze: TAPS and the Departure of Major Oil Companies Who Found Oil on Alaska's North Slope* (Anchorage: Oilwatch Alaska, 1997).

the environment, as the Coastal Plain's status should compel. The bill does include a range of other environmental stipulations and mitigation measures, however all give the Secretary broad discretion in their interpretation and application.

Additionally, through both limitations on public comment under NEPA and limitations on judicial review NESA restricts the public's ability to participate in crafting a leasing program on the Coastal Plain.

Finally, NESA also fails to reinstate the ban on the export of Alaska North Slope crude oil that had been in effect prior to 1995. As a result, any oil discovered and produced from the Arctic Refuge under this Act could be exported to foreign countries, undercutting the purported "national security" justification for this bill. The bill moreover grants an enormous 90% of the royalties from lease sales to the State of Alaska, rather than the traditional 50% royalty. The bill does include "project-labor agreement" language, but only applies this to the Arctic Refuge and to no other federal lands on the North Slope or to the construction of a new natural gas pipeline in the State, which would necessitate many times more jobs than refuge drilling.

In summary, while NESA states that "oil and gas exploration, development, and production activities on the Coastal Plain will result in no significant adverse impact on fish and wildlife, their habitat and the environment," provisions included and not included in the bill ensure that this standard will not be met.

CONCLUSION

We respectfully urge the committee to reject Title V of the National Energy Security Act of 2001. This section of the bill would mandate oil exploration and drilling in the wildest place left in America for a speculative short-term supply of oil that would do nothing to lower prices for American consumers or enhance U.S. energy security. The bill would rollback decades of environmental progress, originally initiated by President Dwight Eisenhower, effectively allowing oil exploration or development to occur along America's entire Arctic coastline. Despite language in Title V that attempts to limit and mitigate the environmental consequences of leasing the Coastal Plain, its provisions are inadequate to protect its irreplaceable wildlife and wilderness values. The American people do not support drilling in the Arctic Refuge nor is drilling in the Arctic Refuge necessary to maintain robust oil and gas activity in Alaska for decades to come.

Thank you for the opportunity to testify. I'm happy to answer any questions the committee might have.

The CHAIRMAN. I thank the gentleman.
Linda Lance?

STATEMENT OF LINDA LANCE, THE WILDERNESS SOCIETY, WASHINGTON, DC

Ms. LANCE. Thank you, Mr. Chairman.

I am Linda Lance. I am the vice president for policy at the Wilderness Society, and I very much appreciate the opportunity to testify on this important issue today.

I did want to introduce the Committee to two people who are with me today and who will also be available for questions, should the Committee wish to ask them.

Jim Waltman is our program director for wildlife refuges at the Wilderness Society, and Luci Beach is the executive director of the Gwich'in Steering Committee and represents the 7,000-member Gwich'in nation. And as the Committee is aware based on the earlier discussion, the Gwich'in nation is opposed to drilling in the Arctic Refuge.

Mr. Chairman, we also are strenuously opposed to this bill, and our concern is generally stated that this bill, rather than providing an abundant and affordable energy supply for the country, which is a goal that we very much share with the Committee, this bill will put our most precious lands not only at risk, but in a situation

in which they are irreplaceably lost. We don't think that that is a price that country needs to pay for an affordable, abundant energy supply.

Some of these places are well-known. The Arctic National Wildlife Refuge has been discussed at considerable length today, and I won't spend a lot of time on that in my statement.

But there are other places as well in the lower 48 that are not nearly as well-known, but they currently have protection from oil and gas drilling that are put in risk in this bill. There are also incredible resources for this country that will be irreplaceably lost if oil and gas production proceeds on those places.

The concern that we have in particular about this bill is it seems to be based on the premise that there is an enormous amount of oil and gas resources that exist on public lands and that are locked up somehow and put off limits from production. We simply don't see any evidence that that is the case.

In fact, what really seems to be happening as the price of natural gas, for example, increases, is that we have what is reasonably viewed as a boom in gas production in particular on public lands, particularly in the lower 48.

Some numbers I thought would be useful for comparison:

The acres of public lands that have been leased for oil and gas development since 1993: 64 million.

The acres in the Rocky Mountain states that are available for oil and gas leasing: 110 million. This is of course larger than the State of California.

The number of operating oil and gas wells on public lands: 57,000.

The number of drilling permits issued on the public lands in 1990: 2,617.

The number of drilling permits on public lands that were issued in 2000: 3,496.

And I thought the Chairman might be interest in, and is probably well-aware, in the increase in activity that is going on in his own state. The number of drilling permits on public lands in Utah that have been issued so far this year: 438. And that is 146 percent of the number of drill permits issued all of last year.

The percentage of United States oil and gas production that comes from the Federal lands has increased considerably over the last decade. Thirteen percent of our oil and gas, domestic oil and gas production, came from public lands in 1992. Twenty-five percent of our domestic oil and gas production came from public lands in 1999.

And as Senator Johnston so eloquently described, offshore oil production is up 65 percent since 1993, and Gulf of Mexico gas production is up 80 percent in just the last 2 years.

So there are some very special places in this country that have been put off-limits, typically by Congress, from oil and gas drilling because of their unique and special qualities. But the vast majority of public lands and offshore areas that are productive in this country are very much available, are being produced, and are increasingly being produced as the price signals send the industry into those places.

For example, the acres of public lands that have been protected as national monuments increase 1993: 5,568,000. But in many of those monuments, there are existing oil and gas leases and those valid existing rights have been protected.

The point here is that there is a myth, we believe, driving this push to drill in the public lands, and that myth is that the significant resources on the public lands are somehow locked up. They simply are not.

A moment on the Arctic refuge. It has been discussed at some length, and I won't spend a lot of time.

If I might have one more minute, Mr. Chairman?

The CHAIRMAN. Go ahead.

Ms. LANCE. I do think that it is important that the views of the Gwich'in nation be recognized by the Committee. Some of the other witnesses have made the point that there is obviously a difference of opinion among Alaskan natives about whether it is appropriate to drill in the Arctic refuge. The Gwich'in nation makes their living off of the Porcupine caribou herd in the refuge and is very much opposed drilling.

And just in closing, Mr. Chairman, as this Committee is well-aware, its responsibilities here are enormous. The stakes are very, very high. But unlike with some legislation where if mistakes are made, they are reversible, in this case, some of the mistakes that could be made and that would be made by this bill are irreversible. Once there is drilling in the Arctic refuge, once there is drilling in some of the other places in the lower 48 that are protected today, you can't go back.

So we would urge this Committee not to act to do that, and to look at the facts, and rely on what the facts are as opposed to some mythical desire to drill all over our public lands.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Lance follows:]

**Statement of Linda Lance, Vice President, Public Policy,
The Wilderness Society**

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify on the H.R. —, "Energy Security Act," on behalf of the Wilderness Society. The Wilderness Society is an organization of 200,000 members nationwide. Since its founding in 1935, it has been dedicated, to ensuring that future generations will enjoy the clean air and water, wildlife, beauty and opportunities for recreation and renewal that pristine forests, rivers, deserts and mountains provide.

We also understand clearly the vital importance to our country of a reliable, affordable energy supply. However, we believe that achievement of our energy goals without appropriate protection of the natural environment does the nation permanent, irreversible damage. We can meet our energy needs without sacrificing our most precious lands. Both goals should guide the formulation of an energy policy, and that policy should be balanced, well-informed, and carefully crafted.

We appreciate the Committee's expeditious attention to the energy issue through preparation of this draft legislation. We are concerned, however, that the draft bill takes too narrow a view of the energy issue and focuses only on maximizing energy resources from the public lands owned by all Americans. We believe the bill as currently drafted will sacrifice the lands Americans hold most dear--including the Arctic National Wildlife Refuge--and will do so without any appreciable effect on our energy supply. For that reason, we are strenuously opposed to this bill.

This statement will first set out some factual background that we believe provides important context for any consideration of this issue. It then will address specific concerns about the bill as drafted.

I. Background on Energy Supply and Production on Federal Lands

A. Most Public Lands Are Open to Production

Much of the discussion of energy production from federal lands appears to be driven by the perception that abundant resources have been “locked-up” or put off limits, to the detriment of the country’s energy future. This is a myth that should not drive the energy policy debate. The facts show that the vast majority of federal lands are open to energy production. Significant efforts were made in the last few years to enhance, where appropriate, oil and gas production on these lands even in the face of falling prices. Important new areas were opened and are being leased.

Domestic oil production declining for several decades after peaking in 1970 at 9.6 million barrels per day. During the prior Bush Administration, domestic oil production decreased by an average of 250,000 barrels per day each year. During 1992 alone domestic gas and oil drilling activity decreased by nearly 17% and was at its lowest level since 1942.

The causes for these declines were varied, but included plentiful global supplies and correspondingly depressed prices. Despite these price pressures, overall oil and gas production on federal lands and offshore have continued to increase throughout the past decade. According to Department of the Interior data, the contribution of oil and gas production from federal lands, as a percentage of overall domestic oil and gas production, increased from 13% in 1992 to 25% in 1999. See Attachment I.

From 1992 to 2000, 7091 new leases were issued on the Outer Continental shelf, covering approximately 38 million acres. Nearly four million acres of the National Petroleum Reserve in Alaska, adjacent to the existing Prudhoe Bay fields, were opened for oil and gas exploration and production in 1998. Exploration is underway following an initial lease sale that netted more than \$100 million for the U.S. treasury.

As of September 30, 2000, oil and gas leases were issued on more than 35 million acres of public lands. See, BLM, “Public Land Statistics 2000,” Tables 3–13 and 3–14. There are nearly 60,000 producing oil and gas wells on the public lands. See BLM, “Public Rewards for Public Lands 2000,” Attachment II. Thousands of new drilling permits have been issued during the past eight years--3400 by the Bureau of Land Management in fiscal year 2000 alone. See BLM, “Public Land Statistics 2000,” Table 3–16. According to BLM data, over 95% of BLM lands in the Overthrust Belt states of Colorado, Montana, New Mexico, Utah and Wyoming (the areas believed to have the largest oil and gas resources) are available for oil and gas leasing. See Attachment III. Over one third of our nation’s yearly coal production is derived from federal land. See Attachment II.

Some in industry have claimed that they lack access to these lands. Upon closer examination, these claims deal with two very different categories: lands that are entirely off limits to development; and lands that are open subject to “stipulations” or provisions in the leases requiring that the operations take particular precautions to protect the environment or other resources.

The former areas include, for example, designated wilderness areas, offshore moratorium areas, portions of national monuments, and areas where other mineral activities are taking place. These are places where oil and gas activities could pose extreme environmental or safety hazards, or be incompatible with other values. Currently, such areas comprise roughly five percent of BLM-managed land in the five states of the Overthrust Belt. See Attachment III.

Many of these areas have been off-limits to development for many years, in a shared public recognition that they are simply inappropriate for such use. For example, Congress placed the Arctic National Wildlife Refuge off-limits in 1980, following executive action in 1960. There have been longstanding moratoria on offshore oil and gas production off certain areas of the east, west and Gulf Coasts, and the House recently passed a moratorium on Lease Sale 181 off the Florida Coast. We have a long history of restricting oil and gas drilling in our national parks, thereby voluntarily losing the potential geothermal resources in Yellowstone National park or the hydropower in the Grand Canyon. Finally, national monuments generally prohibit new oil and gas drilling, and the House recently acted in the Interior Appropriations bill to reinforce that limitation for existing monuments.

The latter “stipulations” category is designed by agency land managers to protect multiple resources while allowing for oil and gas production. They protect such values as water quality, critical seasonal habitat for elk, antelope and other wildlife, archaeological sites, and recreational sites. BLM may require that operations only occur at certain times of the year, when such areas are not in use by wildlife species. In other cases, BLM imposes “No Surface Occupancy” requirements in which the lessee is required to access the oil and gas from off-site. This restriction is usually done to protect some other resource that may be in conflict with oil and gas

production such as underground mining operations, archaeological sites, campsites, or important wildlife habitat. These leases may be accessed from another location via directional drilling.

These stipulations do not put oil and gas off limits, but merely balance the need for oil and gas with the BLM's responsibility to manage other resources on these public lands. Industry often touts the benign nature of advanced exploration and development technology. However, many of their complaints about lack of access are over areas with "No Surface Occupancy" limitations that merely require the use of this advanced technology for directional drilling.

These stipulations are often misunderstood or used to overstate the extent to which oil and gas resources are off limits. An example is a report issued on June 6, 2001 by the Department of Energy, "Federal Lands Analysis, Natural Gas Assessment, Southern Wyoming and Northwestern Colorado." As pointed out in a review of this report by Dr. Peter Morton, Resource Economist for the Wilderness Society, (Attachment IV) this report uses flawed methodology to overstate the effect on the availability of oil and gas. It includes "No Surface Occupancy" stipulations in the category of those areas that are off limits; focuses only on "technically" as opposed to "economically" recoverable gas, vastly overstating the gas resources involved; and focuses only on undiscovered gas resources as opposed to the extensive development of known reserves already underway in the area.

B. Oil and Gas Resources in Protected Areas Are Not Significant

Those special places--such as national monuments or national forest roadless areas--that are off-limits contain at most very small amounts of oil or gas. The Arctic National Wildlife Refuge contains no more than six months' worth of U.S. oil consumption. Its destruction for oil production would have negligible impact on the country's energy security and no impact on the price of gasoline at the pump. The same is true for the other special areas now off limits.

All national forests currently supply only 0.4% of total U.S. oil and gas production, half of which occurs on Little Missouri Grasslands (Forest Service Roadless Area Conservation EIS, 2000, pages 3-312 and 3-316). The vast majority of national forest lands subject to roadless area protection have been open to leasing for decades, and there has been little interest in exploiting potential resources.

This is likely because there are only small amounts of undeveloped, resources in these areas. A recent Wilderness Society assessment of the energy potential of national forest roadless areas in six Rocky Mountain States shows that these areas contain only 0.4% of the total U.S. oil resources (on and off shore), and only 0.6% of total U.S. gas resources. See Attachment V.

Similarly, in the fifteen recently created national monuments in the West managed by BLM there are only about 15 days worth of total U.S. consumption of oil, and about 7 days worth of the total U.S. consumption of gas. See Attachment VI. The U.S. Geological Survey recently confirmed that only five out of the 21 new national monuments had a moderate to high possibility for the occurrence of any oil and gas. As attachment VI shows, even those five taken together have a very small amount of potential energy. Four of the five currently allow for continued development under existing leases (Canyon of the Ancients, Carrizo Plain, Hanford Reach, Upper Missouri Breaks.) The fifth, California Coastal, is surrounded by waters covered by the existing moratorium against off-shore drilling.

II. Specific Concerns About Draft Legislation

The Federal Land Policy and Management Act (FLPMA) and the National Forest legislation provide a useful context for consideration of oil and gas production on public lands. According to FLPMA, in addition to providing for the development of minerals, the public lands under the jurisdiction of the Secretary of the Interior are to be managed:

"...in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archaeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use..." (43 U.S.C. 1701(a)(8))

See also Forest and Rangeland Renewable Resources Planning Act of 1974, 16 U.S.C. 1600.

Unfortunately, the "Energy Security Act" appears to be focused solely on "expediting" energy development proposals, surmounting "impediments" to energy development and "streamlining" environmental review procedures, while ignoring the other resources that exist on the public lands and national forests. This is an unprecedented and extremely narrow perspective on the values of our public lands that

is not reflected in existing land management laws, and causes serious concern about the bill in its entirety. The following sections are of particular concern.

Title I — Section 102 of the bill requires the Secretary to inventory all “federal public lands” except for national parks and designated wilderness areas for their potential to produce wind, solar, coal, and geothermal energy. All national monuments, national wildlife refuges, Bureau of Land Management Wilderness Study Areas, National Conservation Areas, national forest roadless areas, Wild and Scenic River corridors, National Recreation Areas, units of the National Trails System, and BLM Areas of Critical Environmental Concern apparently are eligible for future energy production sites. If so, this evidences a serious disregard for the special qualities of these areas, which also should be exempted from inventory proposals.

We do believe, however, that additional reporting and analysis in the area of the public lands and energy production would be useful and that this section should be revised to ensure such reporting. For example, a comprehensive report, regularly updated, could provide the acreage of public lands and national forests available for energy activities, with descriptions of any special safeguards imposed on such lands to protect other resources. In addition, the BLM currently reports on drilling activity long after it has taken place. It would be very useful to have a system that makes publicly available the status of applications for permits to drill (APDs) and drilling activities on the public lands on a periodic basis, perhaps monthly or quarterly.

Such information could directly address what we believe to be the myth discussed above—that vast areas of resources are off limits. In addition, a cumulative analysis of the overall impacts of energy production on the other values to be protected by the BLM and the Forest Service has never been done and is vital, certainly before consideration of any major expansion of energy production on these lands. As stated, there are now almost 60,000 producing oil and gas wells on the public lands; thousands of well sites have been abandoned, and not reclaimed; millions of acres of the public lands are now devoted to oil and gas activities; thousands of miles of rights-of-way are devoted to various energy development infrastructure requirements; and there are increasing demands for more of this. Analysis that describes the current situation not only for the energy resources but for all of the resources on these public lands is clearly warranted.

In addition, Congress should review and upgrade the BLM’s reclamation bonding program before it is allowed to lease millions more acres and permit thousands more wells. It is our understanding that the BLM has not increased the amount of its reclamation bonds since 1960. Moreover, the BLM has no program and no money to reclaim thousands of abandoned wells. Addressing this situation should take precedence over additional financial relief for the industry as provided in later titles of the bill.

Titles II and III -- Section 202 requires suspension of royalties for certain sales in federal waters in the Outer Continental Shelf. As we understand it, the rationale for the existing law, which gives the Secretary of the Interior the discretion to suspend these royalties, was unusually low world oil prices. With oil prices more robust, and deepwater drilling increased, it is unclear why this royalty relief must now be mandated. The taxpayers deserve to receive fair market value for the commodities extracted from the public lands. As stated, the Secretary currently has the authority to suspend these royalties if necessary (43 U.S.C.1337 (3)). Under the provisions of this section oil and gas companies could produce quantities of oil worth \$1.4 billion before paying any royalties to the taxpayer—a loss of hundreds of millions of dollars to the taxpayer.

Section 222 requires the Department of the Interior and the Department of Agriculture to perform a study of “impediments to efficient oil and gas leasing and operations on Federal onshore lands in order to identify means by which unnecessary impediments to the expeditious exploration and production of oil and natural gas on such lands can be removed.” Moreover, Section 223 limits the ability of the BLM and Forest Service to require environmental safeguards for oil and gas activities on the public lands and national forests that are more stringent than those imposed by state oil and gas conservation commissions. The obvious intent is to discourage the federal land managers from providing the environmental safeguards and balanced management they believe to be necessary in a particular area. This is a totally unwarranted bias toward energy production above all other resource values.

Sections 225 and 303 remove the requirement in existing law that the Secretary of Agriculture must consent to any oil, gas or geothermal leasing on the national forests. This is an apparent reaction to decisions advanced in recent years by the Forest Service through its land use planning program and with vast public support, to restrict certain areas of the national forests from oil and gas development. It is completely inappropriate to remove the decision making authority of the agency

with the greatest expertise on, and responsibility for, protection of all the resources of our national forests.

Title V—Title V of the bill would mandate opening the coastal plain of the Arctic National Wildlife Refuge to oil and gas drilling. It is hard to imagine a more inappropriate and unnecessary action. Any legislation directed to this purpose should be summarily rejected. Protecting this special place has been the unyielding commitment of many thousands of conservationists, scientists, sportsmen and women, religious and human rights leaders, and countless other Americans throughout the 50 states.

At The Wilderness Society, we say that the Arctic Refuge is in our blood. The Wilderness Society founder, Bob Marshall traveled extensively in the Brooks Range. He was among the first to suggest that large tracts of Alaska be preserved. Longtime Wilderness Society leaders Olaus and Mardie Murie are described by the U.S. Fish and Wildlife Service as “founders” of the Arctic Refuge. They and others waged a campaign to protect the area that led to the establishment of the Arctic National Wildlife Range in 1960 by executive authority under President Eisenhower.

Resource Values in the Refuge

The 19.6 million-acre Arctic National Wildlife Refuge is a spectacular wilderness of boreal forests, rugged mountains, undulating tundra, coastal lagoons, and barrier islands. Located in the northeastern corner of Alaska, the Arctic Refuge is the only conservation area in America that protects a complete range of arctic and sub-arctic ecosystems.

The refuge has been called “America’s last great wilderness” since the 1950s when a concerted effort was made to protect the area as a wildlife refuge. In fact, the Arctic Refuge is unique to the National Wildlife Refuge System in that it was established specifically to preserve wilderness. Public Land Order 2214, issued by President Eisenhower’s Interior Secretary Fred Seaton in 1960, created the refuge “for the purpose of preserving unique wildlife, wilderness, and recreational values.” Seaton explained that the refuge was “the only economically feasible opportunity for maintaining a wilderness frontier large enough for the preservation of the caribou, the grizzly, the Dall sheep, the wolverine, and the polar bear, all of which require a sizeable unrestricted range.”

At the heart of the Arctic Refuge stands the 1.5 million acre coastal plain—the very portion of the refuge that the legislation before the committee would open to oil and gas drilling. The U.S. Fish and Wildlife Service has called the coastal plain “the center for wildlife activity” for the entire refuge.

Polar and grizzly bears, wolves, and muskoxen, are just a few of the more than 200 animal species that use the coastal plain of the refuge. Millions of birds, representing some 125 species, migrate from as far away as the Southeastern United States, South America, and Asia to nest, rear their young, molt, and feed on the Coastal Plain—preparing themselves for their long return migrations. Many of these birds grace local parks and refuges across the coterminous U.S. during their migrations and during the winter months. According to the Fish and Wildlife Service, the coastal plain is also the most significant on-shore polar bear denning habitat in the U.S.

The Arctic Refuge is perhaps most famous for the 129,000-member Porcupine River Caribou herd that has used the coastal plain as a calving area for millennia, traveling hundreds of miles from wintering grounds in Canada and the U.S. There is no alternative to this sensitive habitat for the caribou herd. The gathering of the herd following calving is a spectacle reminiscent of Africa’s Serengeti and of the enormous herds of buffalo that once thundered across the Great Plains.

The Gwich’in (Athabaskan) people depend on the Porcupine Caribou Herd for their subsistence and culture, a relationship that has existed for thousands of years. The close association of the Gwich’in people and the Porcupine caribou herd have prompted opposition to oil drilling schemes in the refuge from a diverse array of organizations: the Canadian government, National Congress of American Indians, National Council of Churches, Native American Rights Fund, Episcopal Church, United Methodist Church among many others.

Oil drilling on the coastal plain would irrevocably destroy the unparalleled wilderness character of the area, pollute air and water, and threaten fish and wildlife populations and subsistence hunting that relies on them. And for what? In 1998, the U.S. Geological Survey has estimated that the most likely amount of oil that could be recovered economically would be 3.2 billion barrels—less than what the U.S. consumes in six months. At no time would oil from the refuge be expected to supply more than two percent of America’s demand. The U.S. Geological Survey’s mean estimate for technically recoverable natural gas from the refuge is 7 trillion cubic feet—about what the U.S. consumes in four months (none of this gas was projected to

be economically recoverable at the time of the report). Using updated projections for future oil prices, the Congressional Budget Office estimated this February that the mean estimate for economically recoverable oil from the refuge would be 2.4 billion barrels-about what the U.S. consumes in four months.

Effects of Drilling

The oil industry claims it can develop the Arctic Refuge in an "environmentally sensitive" manner and points to its history in Prudhoe Bay. Nothing could be further from the truth. Oil drilling in the Arctic Refuge would introduce a major industrial facility in the heart of this magnificent wilderness. This activity is fundamentally incompatible with the purposes for which the Arctic National Wildlife Refuge was established. Development would bring the following to this pristine area:

- * Hundreds of miles of roads and pipelines leading to dozens of oil fields;
- * Chronic spills of oil and other toxic substances onto the fragile tundra;
- * Rivers and streambeds--key habitat for wildlife--stripped of millions of cubic yards of gravel for road, airstrip, and drillpad construction;
- * Enormous water diversions to support drilling at the expense of pristine rivers and wetlands;
- * Living quarters, sewage treatment, and other infrastructure for several thousand workers;
- * Helicopters, cargo planes, dump trucks and bulldozers; the sights and sounds of heavy equipment would be almost constant for long periods. See also, "Oil in America's Arctic," prepared by Trustees for Alaska, Attachment VII.

Spills

Spills of oil and various other toxic substances are a chronic problem on the North Slope and the Trans-Alaska Pipeline. According to the Alaska Department of Environmental Conservation, oil companies emit more than a spill and day of oil and other toxic substances-over 1.3 million gallons between 1996 and 1999.

One would think that, with their desire to gain access to the Arctic Refuge in the public eye, oil companies would be particularly careful this year. But on April 15, Phillips Petroleum spilled more than 92,000 gallons of saltwater and crude oil on Alaska's North Slope. Between January 16 and March 3 of this year, BP had three spills of oil and drilling fluids on the North Slope of between 3,000 and 18,000 gallons. In 2000, BP Amoco and its subcontractor pled guilty to illegally dumping hazardous waste at the supposedly benign Endicott oil field near Prudhoe Bay and were fined \$22 million.

The number of spills and the high proportion with unknown causes suggest faulty spill prevention systems, sloppy practices, and inadequate government oversight and enforcement. Between 10 and 30 percent of safety shut-off valves in BP Amoco's drilling operations on Alaska's Prudhoe Bay failed to pass state safety tests during the first quarter of 2001. The failures were reported by the Wall Street Journal in April, 2001 which described the safety shut-off valves as "the main line of defense against pipeline ruptures that could spew thousands of barrels of hot underground crude oil across the Arctic tundra." The Journal also reported that "secondary valves, which connect the platforms with nearby processing plants, often fail to close properly as well, according to employees of BP Amoco PLC's Prudhoe Bay operations. In other words, they say, the valves can't be relied upon to shut in an emergency, creating the potential for a natural catastrophe."

Air Pollution

Prudhoe Bay oilfields emit large quantities of nitrogen oxides, carbon monoxide, sulfur dioxide, volatile organic compounds, particulate matter, and other pollutants. The quantity of emissions is so great that it may endanger the health of the workers and contribute to global warming.

Water Diversions

Over 400 pollution control and discharge permits issued by both state and federal governments govern wastewater discharges from oil field operations at Prudhoe Bay. From 1991 through 1997, approximately 25 billion gallons of contaminants were discharged into surface waters under such permits. Permitted wastes include discharges from water flood and sewage treatment plants, drilling muds and cuttings, and gravel pit de-watering discharges.

Industrial "Footprint"

Arctic drilling proponents claim that this activity can be done with a minimal "footprint," which may impact as little as a few thousand acres. These same people have made the same arguments about Prudhoe Bay-that oil field development has only impacted some 10,000 acres. In reality, oil field development in America's

Arctic includes a vast network of seismic exploration trails, gravel mines, roads, drill pads, pipelines, processing facilities, operating and housing facilities, and waste and sewer treatment plants that stretches across 1,000 square miles of tundra and has changed forever the Arctic ecosystem. It is one of the largest industrial complexes in the world.

Besides the huge volume of industrial wastes produced by any other large industrial complex, oil drilling operations also generate tens of thousands of cubic yards per day of drilling muds and cuttings, oil contaminated wastes and sludges, and produced water from drill sites. Drilling wastes typically contain a variety of toxic metals as well as petroleum hydrocarbons and other harmful substances. Over 325 million gallons of wastes have been injected into Class I waste disposal injection wells and 40 billion gallons have been injected into Class II wells. Between 2 and 6 billion gallons of drilling wastes were dumped into 450 reserve pits before this practice was banned.

In addition, the oil industry on the North Slope uses immense amounts of water for drilling activities. Twenty-seven billion gallons of water are used per year for oil exploration and development on the North Slope. Removing water and building drilling facilities have severely damaged the Arctic ecosystem.

Finally, a layer of gravel at least five feet thick is needed as an insulating foundation under production wells, permanent roads, causeways, offshore man-made islands, airstrips, pump stations, and all other oil field facilities. ARCO needed over 1.3 million cubic yards of gravel to fill 115 acres of wetlands tundra at its supposedly environmentally benign Alpine oil development.

Some have suggested that work in the Refuge can be done solely on "ice roads" that have no permanent impact and disappear in the summers. Again, this is a myth. First, ice roads require enormous amounts of water to produce. Unlike Prudhoe Bay, for example, the Refuge has a relatively limited water supply that could not support such roads without damage to the ecosystem. Also, this argument ignores the infrastructure necessary to support construction of the ice roads and the serious impact these roads would have on polar bear denning activity. Finally, this argument focuses only on exploratory drilling and has no application to production, which would require significantly more permanent infrastructure.

Oil Industry Exemptions From Environmental Regulations

Congress and the Alaska legislature already have granted the oil industry lowered standards and exemptions from basic environmental regulations, resulting in high profits for oil companies at the expense of a healthy, sustainable environment. This bill would grant the industry even more special treatment under environmental laws. Existing exemptions include:

- * Clean Air Act. Sulfur content in motor vehicle fuels is strictly regulated under the Clean Air Act. However, Alaska is exempt from this regulation.
- * Resource Conservation and Recovery Act (RCRA). Disposal of hazardous and "general" solid waste is regulated under the Resources Conservation and Recovery Act. However, certain oil and gas extraction wastes are exempted from regulation as hazardous wastes. Exempted materials include drilling muds and cuttings, rig wastes, produced water, tank bottoms, pit sludges and workover wastes produced during oil industry operations.
- * Emergency Planning and Community Right to Know Act. This law requires polluters to report their toxic releases annually to the public. The oil industry was granted an exemption from this Act for most of their exploration and production facilities in 1996. No North Slope facilities are required to report their toxic releases.

Proponents of oil drilling in the Arctic Refuge have claimed that such activity could be done in an environmentally benign way. If so, one would expect that the oil companies would have no trouble complying with U.S. environmental laws. But the "Energy Security Act" provides the following new exemptions:

- * National Wildlife Refuge System Administration Act. Under this act, activities can only be permitted on a national wildlife refuge if the Fish and Wildlife Service can demonstrate that such uses are "compatible" with the wildlife conservation purposes of the refuge and the mission of the National Wildlife Refuge System. The draft energy legislation just simply declares that oil drilling in the refuge is a compatible activity when it clearly was not.
- * National Environmental Policy Act. Under this Act, federal agencies are required to analyze the environmental consequence of their proposed actions and a range of alternative actions prior to proceeding. That Act requires that the analysis use up-to-date information. The draft energy legislation declares that an Environmental Impact Statement prepared by the Reagan Administration in 1987 is sufficient.

* Alaska National Interest Lands Conservation Act (ANILCA). Title XI of ANILCA established a process and strict standards for sighting roads, pipelines, and powerlines through national wildlife refuges and other federal conservation areas in Alaska. The draft energy legislation exempts any pipelines necessary to transport oil and gas across the refuge from this provision.

Arctic Refuge Jobs Myth

Proponents of oil drilling in the Arctic Refuge have suggested that hundreds of thousands of jobs would be created from opening the refuge to drilling. What they don't tell you is that their job figures are based on a highly criticized 1990 report done for the American Petroleum Institute (API).

Among its inaccuracies, the API report assumed that the price of crude oil would be nearly \$58 per barrel in 2000 (\$42.84 a barrel in 1988 dollars). Oil prices, of course, are hovering in the middle to high twenties. The U.S. Geological Survey concluded that the mean estimate for oil that could be economically recovered from the refuge is 3.2 billion barrels—about a third of the API assumption and less than what the U.S. consumes in six months.

Most of the jobs estimated in the API report were not directly related to drilling but were jobs assumed to occur if refuge drilling reduced oil prices and that such reductions would stimulate additional economic growth.

Other reports have reached dramatically different conclusions than API's. A 1994 report by the Economic Policy Institute (EPI) concluded that the most realistic number of jobs that could be created from drilling the refuge would be less than 8 percent of the jobs projected by the American Petroleum Institute. The EPI report stated that the API study assumes a "hypothetical oil strike deemed highly unlikely by government scientists" in creating their employment projection.

A report by the Congressional Research Service (1992) on the economic impact of refuge development concluded that, "only a magnitude of oil production that would be associated with a very large discovery (in terms of present assessments) could produce conditions that could lead to readily apparent benefits to the economy."

A 1993 study by the Tellus Institute, prepared for The Wilderness Society, concluded that initiatives to increase vehicle and non-transport energy efficiency would result in nearly ten times as many jobs as drilling in the refuge.

Conclusion

This bill is inappropriately focused only on increasing energy production from federal lands. It contains no recognition of the importance of protecting other resources on federal land, or of viewing the issue in a balanced, comprehensive manner. We urge the Committee to reject this legislation and approach the issue in a way that protects both the energy supply and our most precious natural areas.

Thank you for the opportunity to testify on this important issue.

The CHAIRMAN. I thank you.

The gentleman from American Samoa?

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

And I want to thank the members of the panel for their fine testimony. And I certainly apologize for the long, arduous hours that we have had in going in through the hearing process. However, it is a necessary process.

I would like to ask Mr. Glenn, I plead ignorance with understanding the situation with the native Alaskan regional corporations. That was part, I think, of the congressional enactment of the Alaska Native Claims Settlement Act.

How many regional corporations are there in existence among the native Alaskans?

Mr. GLENN. Thank you.

Mr. Chairman, I would like to answer the question.

There are 12 native regional corporations in Alaska. In addition to that, there is a thirteenth regional corporation that represents natives who are abroad and was created in an effort to answer the claims for those who had scattered before the passage of the Native Claims Settlement Act.

In addition, there are more than 200 federally recognized tribes in Alaska. So the tribal organizations coalesced into these 12 major groups.

It doesn't mean that the regional corporations speak for the tribes, for example, but that, in large part, in my region, for example, our regional corporation contains eight different tribal organizations.

Mr. FALEOMAVAEGA. Okay, that is what I wanted to ask.

Among the eight different tribes in your regional corporation, is the Inupiat the largest number?

Mr. GLENN. They are all Inupiat. It is just village subsets of the Inupiat people.

Mr. FALEOMAVAEGA. I see. So among the Inupiat generally, the Gwich'in is part of your tribal—

Mr. GLENN. No. The Gwich'in—and we have a representative from the Gwich'in Steering Committee here.

We are neighbors. The Gwich'in people are Athabaskans and they number within about 10 villages, spanning the Canadian border between Alaska and Canada, with several villages on each side of the border.

Mr. FALEOMAVAEGA. I see. And they number about, what, 450, compared to 8,000 Inupiat?

Mr. GLENN. I imagine there is a lot more Gwich'in than 450.

Ms. LANCE. Seven thousand.

Mr. FALEOMAVAEGA. I see. I just kind of want to get a better sense.

Mr. GLENN. There are 7,000 Gwich'in.

Ms. LANCE. There are 7,000.

Mr. FALEOMAVAEGA. There are 7,000 Gwich'in.

Mr. GLENN. Some in Canada, some in the United States.

Mr. FALEOMAVAEGA. Okay. Is this also true with the Inupiat tribe?

Mr. GLENN. The Inupiat people stretch from northwestern Alaska in kind of a spectrum all the way over to Greenland.

Mr. FALEOMAVAEGA. I don't want to make this kind of like a majority rules, in terms of the number of native Alaska tribes which support and which do not support, but I can just tell you quite seriously that my vote is going to come heavily in terms of how the native Alaska tribes look at this issue in terms of their needs and the question of development. And I just wanted to share that with you, Mr. Glenn.

Mr. GLENN. Excuse me, I would not want to mislead you either, that there would 100 percent unanimity among the Alaska natives regarding this issue.

In addition, it is in our interest to see that if development comes to the Coastal Plain, we want it to be done right. We want the Gwich'in Athabaskan people to be by our side to make sure that it happens.

It is not an issue where we see division. There are more things that we have in common than separate us by difference.

Mr. FALEOMAVAEGA. Basically, the land area involved for drilling, if there would be drilling, is the land belonging to the Inupiat people?

Mr. GLENN. The Coastal Plain of ANWR lies within the area that we claimed as aboriginal title, a portion of which we received actual legal title in the Alaska Native Claims Settlement Act. It is our lands that lie within the Coastal Plain of ANWR.

Mr. FALEOMAVAEGA. Thank you.

Mr. Hood, I am being very tribal, too, because I am a member of the Samoan tribe, and if I don't do this, my cousin is going to kill me.

Mr. Leo Reed wanted to be absolutely certain that I would attend the hearing and make sure that I give my courtesy to Mr. Hood when he attends today's hearing this afternoon. And I want to convey best regards from Mr. Reed.

Mr. HOOD. I will report dutifully back to him.

Mr. FALEOMAVAEGA. All right, please. I appreciate that.

Ms. Lance, you mentioned the strong opposition of the Wilderness Society to this proposed legislation, especially dealing with ANWR. You mentioned that there really is not a sense of supporting of the native Alaska tribes on this proposed project. You are pretty firm on that, in terms of the numbers?

Ms. LANCE. As I said, the Gwich'in nation—and there are 7,000 members of the Gwich'in nation—have been consistently opposed to drilling in the Arctic refuge.

Mr. FALEOMAVAEGA. I see.

Ms. LANCE. And Ms. Beach, who is here today, can speak much more eloquently than I about the reasons for that opposition.

Mr. FALEOMAVAEGA. And, Mr. Hood, on the labor-management aspects, I think, of the legislation, is the Teamsters union the only union that is supporting this? Are there other unions that are supporting—

Mr. HOOD. No, sir. The Operating Engineers, the Laborers International Union, the Building Trades, the maritime union, and many others are totally supportive of the environmentally responsible opening of ANWR.

Again, primarily for the craft unions, it is a job issue.

Mr. FALEOMAVAEGA. Of course, as I have mentioned the job issue, what will this entail, as far as jobs for the working people in the ANWR, if this project ever should—

Mr. HOOD. Wharton business school did a study some years ago and estimated that the successful opening of ANWR would create somewhere in the neighborhood of 735,000 jobs throughout the country. Some of the information that this is developed from was actual vendor invoices that the producers on the North Slope spent with vendor companies in various states.

And so it does show that the job impact—and it varies by degree.

Some states will benefit more, and others will benefit a little bit less, but that each state is impacted by job creation by North Slope production in ANWR.

Mr. FALEOMAVAEGA. I am little confused—I am sorry, Mr. Chairman, I think my time is up, but just one more minute?

I keep hearing this figure that ANWR is only going to supply about 3 percent of the oil. And I hear from Ms. Lance there is a tremendous amount of production in other drilling activities going on in the lower 48 states.

Has there been any real accurate assessment in terms of what would be the total production level? How much are we really going to be getting out of ANWR if and when they should ever get off—

Mr. HOOD. Well, there was a 1995 USGS study that said that there was a 95 percent chance that we would find 5.7 billion barrels of oil, and there was a 5 percent chance that we would discover 16 billion barrels of oil. And the Secretary testified earlier today that they did a study and they were talking about 7 billion barrels of oil.

If you want analogize it Prudhoe Bay, when we started there almost 30 years ago, they predicted that we would find 9 billion barrels of oil. To date, we have already pumped 13 billion barrels of oil.

And I guess if you look at the opposition's analogy, that it is only 180 days' supply, that is of course given the fact that we could fact that we could pump all of that oil out of there that fast, which is not possible. But it would fuel everything in America for 6 months. That's a lot of oil.

But in reality, we could replace Iraqi oil for 58 years. We could fuel every car in America with what is in ANWR for 8 years.

But the reality of the situation is it will contribute to America's domestic supply of oil for 30 years or more. So it is probably the largest single domestic find that we will experience in North America as we have in the last 30 years.

So it is a tremendous amount of oil.

As long as we are talking about domestic supplies and you have raised the issue, you know, it was testified earlier that we import today 58 percent of our petroleum. By 2010, that is going to be 70 percent.

We ought to set as a goal as a country to reduce our dependence on foreign oil to below 50 percent. I think that is realistic. With crises that may face us in the future, energy independence is going to be crucial to the success of our endeavors.

So I think that is a realistic figure that could be achieved as we increase our domestic supplies. And Alaska can contribute greatly. We currently contribute one-fifth of the supply of domestic oil.

Mr. FALCOMA. Mr. Chairman, thank you.

Thank you, gentlemen and Ms. Lance.

The CHAIRMAN. I thank the gentleman.

The gentlelady from Wyoming.

Mrs. CUBIN. Thank you, Mr. Chairman.

I would like to address a couple of questions to Ms. Lance.

You referred in your testimony to the myth that is out there, that the Federal lands really are available for exploration for energy. But I want to talk about the real myth or several real myths that I see in your testimony.

In your statement you said that based on a 1995 report from the BLM, that 95 percent of the lands in the Rocky Mountains are available for oil and gas leasing. Well, I want to talk about what you mean by oil and gas leasing.

A direct result of the section 604 amendment on the inventory of oil and gas that was in last year's energy bill, a report came out last month called, "Federal Lands Analysis: Natural Gas Assessment, Southern Wyoming and Northwestern Colorado."

This analysis basically says that 21 percent of the lands are off-limits and an additional 32 percent of the lands in that area are restricted.

So I wonder if you could explain to me, based on this new information versus 1995 information, how you can possibly sit there today and say that 95 percent is available? And if it really is available, is it economically feasible?

Ms. LANCE. Sure. And I am happy you raised that. I couldn't quite fit that into my 5 minutes, but I think it is a very important issue.

And, Mr. Chairman, one of the documents submitted with my testimony, which I would ask to be made a part of the record, is a review of the report that you refer to on the Green River basin done by our resource economist in Denver, pointing out some of the concerns that we have about the methodology that was used there.

So I was—

Mrs. CUBIN. I am aware that you have some reservations about it. One of those was that no surface occupancy was considered in the report as a way that land is not available.

But you think no surface occupancy says land still is available.

Ms. LANCE. Well, I—

Mrs. CUBIN. Even if it isn't geologically or technologically possible to do horizontal drilling or whatever, you still consider it all no surface occupancy available.

Ms. LANCE. I don't want to be so categorical. I think it is important to really—

Mrs. CUBIN. But your testimony is that categorical.

Ms. LANCE. No, I don't believe so. What our concern is, is that when you assume that no surface occupancy stipulation—and maybe I should just back up and, for the record, what we are talking about here is stipulations on leases. The area is available for leasing, but the leases contain certain stipulations and they vary from—

Mrs. CUBIN. Which make it economically unfeasible in most cases to be able to produce the energy.

Ms. LANCE. Well, here is the concern that we have. The no surface occupancy stipulation says that you cannot put your drill rig on that area—

Mrs. CUBIN. Right.

Ms. LANCE. —but you could—and the concern that we have is that industry very often says and has said here today, we use very advanced technology and that allows us to have a very small or no footprint in a sensitive area because we can drill, as you say, horizontally or directionally into an area.

So if that is the case, then it just doesn't seem to be consistent to say—

Mrs. CUBIN. So what you are saying is quite a sweeping statement, when you say that no surface occupancy, that classification, that that means that it is still accessible.

That makes no sense to me. Let's change subjects.

The BLM proposed raising oil and gas lease bonding in its rewrite of the oil and gas regulations, which are now awaiting final publication. And you state in your testimony that thousands of well sites have been abandoned and not reclaimed.

I take issue with that. But if it were the case, do you think that the Federal Government should take over those wells and pay for the reclamation?

Ms. LANCE. I think that this is a very difficult policy choice. And I haven't done enough research on it to give you a educated answer. So I—

Mrs. CUBIN. Well, just for your information, the BLM says that there are actually fewer than 200 orphan wells out of over 60,000 wells that are capable of production. Not thousands, but fewer than 200.

Ms. LANCE. Well, the information that we had is from the public lands statistics that BLM has produced. So I would be interested in the additional BLM data. But I, too, would be guided by BLM's data, and that is what I have indicated.

Mrs. CUBIN. You state that the obvious purpose of section 222 is to discourage Federal land managers from providing environmental safeguards to oil and gas operations. Do you believe that state oil and gas conservation commissions are not adequate in their requirements for environmental protection and for reclamation?

Ms. LANCE. Well, I think two things.

One is that they are not required to apply Federal law, so if it devolves to state-level regulation, it is not clear then that the Federal law will be applicable.

Second—

Mrs. CUBIN. Are you aware that most state regulations are at least as stringent as Federal regulations? In my own state, every regulation is at least environmentally as stringent as the Federal.

So my question to you is really simple: Do you think that the state conservation commissions are not qualified or do not protect the environment as well as they should?

Ms. LANCE. Well, two points. One is that if in fact they apply the exactly the same rules as the Federal regulators, then certainly they do provide the same level of protection.

But this provision would not be necessary in this bill if there weren't some differences between Federal and state law, because clearly it anticipates that there may situations in which the state and Federal regulators will differ.

The second point, I thought it was interesting today when Secretary Norton testified about the Wall Street Journal story and the Alaska State regulation. She said something to the effect that: Well, that was about state regulation on state land. And I can assure you that if we go into the North Slope of the Arctic refuge, we will have Federal regulators applying Federal law.

So—

Mrs. CUBIN. On Federal land.

Ms. LANCE. Exactly. But that is what the telling—

Mrs. CUBIN. And that is my point—

Ms. LANCE. —thing is as well.

Mrs. CUBIN. —that that is the status quo. Federal requirements are required on Federal land.

Ms. LANCE. But this bill tries to change that, is our concern.

Mrs. CUBIN. Well, it doesn't. But I have used up my time.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Carson?

Mr. CARSON. Let me apologize for missing the last two witnesses' testimony. I was called out to a meeting.

Let me direct my questions to Mr. Herrera, who in his written testimony—I apologize for—our view is blocked here—but in your written testimony, you addressed an issue that I am interested in, that I brought up with the Secretary as well, and that is about the amount of recoverable oil in ANWR. And I specifically was thinking, it has obviously been a raging dispute about how much is there, under what conditions and what assumptions you have to have it be recoverable.

There was a recent article in Foreign Affairs that talked about the so-called false promise of Alaskan oil that doesn't attack it from the environmental angle that is often done here, but really about the economics of oil recovery in ANWR.

I was talking to Mr. Young a moment ago and he was saying he thinks there is going to be, you know, 30 billion barrels of oil recoverable out of the 1002 area before it is all said and done.

I wonder if you could talk a bit—and in your testimony it does talk a bit about some of the assumptions on what you consider conservative and pessimistic assumption of the USGS. But what about, given what world oil conditions are speculated to be over the next 5 to 10 years, when leasing activity is going occur, what you think the amount of recoverable oil is and under what economic assumptions we should be operating.

Mr. HERRERA. Well, that is a big question to answer, but I will give it a try.

Let me go to the back half of your question first, because it is something which is rarely considered, albeit there is lots of information in the record, and that is what is going to happen in 5 years' time or 10 years' time with world oil supply.

The point I would make in commenting on that is there are about, let's say, 44—it might be 45 or 43, I have forgotten—producing oil countries in the world. And of those 44, 39 of them have already reached their peak of production and production of oil in those countries is in decline, as it is in the United States of America.

There are only five countries, all of which are around the Persian Gulf, which have not yet reached the peak of production. Now, they all happen to be OPEC producing countries.

My point is that we become, as time goes on, we become more and more reliant on OPEC oil because that is where the world reserves are, those are the only countries that can increase production.

And quite soon now, it is estimated that even those will reach their peak and start to decline within perhaps 3 to 5 years from the present time.

So we are looking forward, if we are looking in a decade time-frame in the future, into a brand new energy time zone that we have never encountered before, where there is still plenty of oil in the world—don't get me wrong.

But the world does not have infinite capacity to increase production. It will have reached its peak of production and so presumably demand will start to impose its influence on price.

That is one comment.

The other comment, you asked about the USGS figures, and they are misused and sometimes misrepresented. In my testimony, I argued that there are three factors which any geologist or any organization uses to make resource estimates.

One is, obviously, the geology. The geology doesn't change over time. It is there, it is static, it is not going to change. The technology of it might change, but it actually stays the same.

The other thing that affects resource estimates are the price of oil because if oil is at \$10 a barrel, there is probably very little oil in the Arctic which is economically viable. If, on the other hand, oil is at \$20 or \$25 a barrel, probably all of it is economically viable even today.

So price is important. And obviously, therefore, one has to predict price in the future, which is difficult to do, but I just mention the likelihood that it is probably going to go up.

The third factor, of course, is technical ability to recover oil out of the reservoir, and this is the factor where I disagree with the USGS because their figures assume that 37 or 38 percent of the oil in the reservoir can be pulled out of the ground and sent to market.

Now, that assumption is a good historical assumption. As a rule of thumb, over the last 40 years, most reservoirs gave up a third of their oil, more or less what the USGS is using for their assumed figures of extractability.

However, in the last 10 or 15 years, with the huge technological changes which have been introduced largely in the Arctic, certainly in the existing Alaskan oil fields, the recoverability of oil from the existing fields varies from 50 to 65 percent of the oil in the reservoir that can be brought out of the ground.

That is significantly higher than the estimates that the USGS uses. And if you believe the reality of those figures which are being proven as we speak, on the North Slope of Alaska, and assume that the geology is quite similar beneath the Coastal Plain, which demonstrably it is, then clearly 37 percent is wrong and probably 50 percent of extraction of the oil is closer to reality.

Therefore, the USGS resource estimates are very low. They are very conservative, and probably too low and unrealistic.

Mr. CARSON. If oil is at the price of \$25 a barrel and there is 55, 60 percent recovery of ANWR, do you have an estimate yourself, just back-of-the-envelope calculation or hunch, about the kind of reserves we would be looking at?

Mr. HERRERA. Yes. Then you would go from the high-end probability of 95 percent chance of the amount of oil being present reaches about 10 billion barrels, and the low end, 5 percent chance goes up to about 27 billion barrels.

Mr. CARSON. Very good.

Mr. HERRERA. And as I mentioned, 10 billion barrels of new oil would be probably the largest oil resource found in the world in the last 30 years.

Mr. CARSON. Do either of the last two witnesses want to comment on that issue of the economics of oil recovery there?

Mr. KOLTON. Thanks, Congressman Carson, if I might just respond to some of the things that Mr. Herrera said.

First, I think it is a very important point that the technology is allowing greater recovery from oil fields. And if you look back at

the record of this debate of the years, in 1995, for example, there were claims made to this Committee, to Congress, that the Trans-Alaska Pipeline would run dry by the turn of the century unless we drilled in the Arctic National Wildlife Refuge.

The fact is, as I pointed out in my testimony, that even the industry now acknowledges in its own filings for renewal permits for the Trans-Alaska Pipeline that it has 30 years' more oil in the existing state lands. This doesn't even include the National Petroleum Reserve, an area about the size of Indiana where as recently as 1995 Mr. Herrera said there was no oil potential.

You know, the fact is that Phillips and British Petroleum have been in aggressive exploration there. And they may have discovered what could amount to a billion-barrel field.

So there is significant production on the North Slope outside of the refuge. And the new technological advances that are referred to are one of the reasons why we can leave the Coastal Plain alone.

With respect to our dependence on OPEC, I think it is important to point out that as a percentage of our total petroleum use, a percentage of our total imports, we are actually less dependent on OPEC today than we were in the 1970's. We get more oil from Canada than we do Saudi Arabia.

So simply using the total foreign import figure is misleading.

With respect to the USGS study and the comments made there, Mr. Herrera is willing to accept the geology somewhat but reject the economics. Parts of the report he likes, and other parts he doesn't.

Yet we heard today about all kinds of things, new technology that is going to be deployed. We are going to distill the water to make the ice roads.

A lot of the expense of some of this was not taken into account in the USGS report. They didn't calculate all the expenses of all these great new technologies and regulations that are being proposed.

So I would submit that, if anything, the economic report of the USGS was off and the cost will be much greater.

As I indicated in my testimony, according to the USGS, it is possible that there could be no economically recoverable oil in the refuge, depending on prices. There could be 3.2 billion. But not in one field like Prudhoe Bay, spread out in 33 discrete pockets the all across Delaware-size Coastal Plain.

Mr. CARSON. I see my time is up.

The CHAIRMAN. I thank the gentleman.

I thank the Committee, those who have remained. And I thank all those who have been here. It has been a very long hearing, but extremely informative.

And I would want to say to the folks from Interior, the Secretary did a fantastic job and thank you for her being here.

And Senator Johnston and this panel, I appreciate your great input on this.

I hope we don't get lost in the minutiae of this thing because the whole thing is predicated on dependence. And as Mr. Hood pointed out, the goal of many of us is to get below 50 percent. It may be very difficult. We do have a heavy dependency on Saudi Arabia.

I have been there, in Kuwait and those areas, and looked them over. We have talked to everyone who develops in those areas. We are becoming more and more dependent on those areas.

What bothers a lot of us is we are becoming dependent on those we can least depend on.

And as one of the senior, senior guys on the Armed Services Committee, I can tell you, it is of great, great concern to us. And you get down to the point of the realistic part of it.

I think President Bush has put together a realistic piece of legislation, and the 105 points he has brought up, of which today we are talking about maybe 15 are going to be very important to America.

As a past military man myself, and one of the guys on the Armed Services Committee, I can just tell you, it is nice to talk in theory on all of these things, but when it gets down to reality, those planes have to fly, those subs have to go, those carriers have to move, and we move on fossil fuels.

Fortunately, in some of our big ships now, we do use nuclear, which you bring that up and you hear nothing but gasps from people, saying that is the worst thing in the world. I surely would hope that some people could understand how important that is.

And we have gone from 12 percent to 20 percent on nuclear, just through efficiency and putting another plant in.

The dependency is going to be a whole question. We are going to get caught in a bad situation if we don't do this. It is not only the workers of America, it is the security of America.

And in my many years, I have never driven up to a gas station where there was pump that said "alternative energy." I hope they do that. I hope we are able to develop a lot of those.

But right now, we are depending on fossil fuels.

So we will continue with this particular piece of legislation.

I think back in September 1996 when President Clinton went to the South Rim of the Grand Canyon to declare the Grand Staircase-Escalante. The interesting thing was, he had never been there. And when he was asked where it was on the map, he put it in Nevada. It is Utah.

And when he talked about the coal reserve—and for those folks who don't realize this, the Grand Staircase-Escalante has the highest amount of low-sulfur coal known in the world. I mean, we are talking billions of tons of coal.

And I keep telling people, if you haven't been there, don't complain about it.

I had John Leshy sitting in front of our Subcommittee years ago to tell me about this pristine area, and my dad had mines on that area. I have flown airplanes into that area. I have put down a Piper SuperCub less than 100 yards from where that thing is. I am very familiar with it.

There is nothing there that Mr. Leshy described. There is no water. There is not cottonwood trees. There is no green glens. Nothing but sagebrush.

And I would really appreciate it if most members of the Committee would do the very same thing when they go talk about ANWR, they go up there.

But don't get it wrong, we do appreciate your testimony.

One thing I have got to add is President Clinton made the statement in his proclamation on the Grand Staircase, he said, we can't have mines everywhere. The answer to that is, true, only where there is ore.

And that is what we have here. I mean, we talk about public areas, we talk about areas that are off-limits. And believe me, a lot of America is off-limits right now.

I have been on this Committee 21 years and I have been all over this country, and it is off-limits. And so you can only go where it is on-limits to get that small amount that is left.

When it comes down to the security of America, I think of the guy who was chairing this Committee when I was sitting way down on the end there, 21 years ago, and he said, if it is necessary, we will go in the bottom of the Grand Canyon to get something, if it means the security of America.

We would hope we would never get to that. I would hate to go into that pristine area.

On the other side of the coin, keeping this country free and keeping the world free falls on the lot of Americans. We have to be very, very careful.

I do want to thank each one of you. Your testimony has been good. A lot of controversy here today. It has kind of been fun to listen to it. I have enjoyed it.

And believe me, we don't discount anything that anybody says. It is one thing nice about America; we can say what we think.

So we thank each and every one of you for being here and for enduring this long testimony. I think we all learned a lot.

And we stand adjourned.

Whereupon, at 2:05 p.m., the Subcommittee was adjourned.]

Statements of Members submitted for the record follow:
[The prepared statement of Mr. Pallone follows:]

Statement of The Honorable Frank Pallone, Jr., a Representative in Congress from the State of New Jersey

Thank you, Mr. Chairman, for convening this hearing on the "Energy Security Act".

I am very interested in hearing from our witnesses today and I think there are a lot of questions that need to be answered.

In the 1970's we saw our Nation's energy security threatened by OPEC. The result was chaos in the marketplace. We quickly found out that our energy base was not diversified. We were not only dependent on oil, but we were dependent upon oil supplied by other countries whose behavior was beyond our control.

Following our experiences with OPEC, we created policies that encouraged energy diversification and conservation. We made our Nation's energy security a priority and we managed that crisis.

However, that dependence on oil has not changed. In fact, I believe it will never change. Our country will never be able to produce enough oil to supply the needs of Americans and we will never be able to economically recover enough oil to alter the world's oil prices and be free from foreign oil use.

Today, we in Congress are managing a different energy condition. It is not the same as the critical shortages of thirty years ago but we are finding ourselves once again focusing on the nation's energy future. We find that demand, through our own growth, has placed a stress on the market's supply.

But instead of looking at the outdated "traditional" means of meeting energy demands such as drilling hundreds of wells with towering rigs, constructing thousands of miles of new roads, transmission lines, waste pits, pipelines and pollution, I challenge us to create alternatives—alternatives that do not create such a negative impact on our country's natural resources.

The answer to today's energy condition is not opening up the Arctic National Wildlife Preserve. It is not removing the environmental protection on public lands. It is not removing the Forest Service in leasing decisions—and it is not providing royalty relief to oil companies who in the last couple months have shown record profits.

The answer to today's condition, to protecting our nation's energy security, must be tackling the demand side of this equation. We must decrease our need for oil—whether domestic or imported.

As the largest user of oil, I would argue that the most effective thing we could do to protect our energy security is to strengthen our policies to encourage the development of transportation alternatives and better mass transit infrastructure. Secondly, we need to fund conservation projects that help us reduce our demand and finally we need to add even more alternative energy sources to our energy mix. We must provide encouragement for American ingenuity to create alternatives to oil consumption.

Finally, I would like to touch on drilling in the Arctic National Wildlife Refuge—possibly the most controversial component of the Chairman's bill. Drilling in the Arctic refuge is not a benign activity and industrialization is inherently incompatible with wilderness.

I have questioned what the Administration calls, "environmentally friendly" technology and have yet to have a satisfactory definition to this process. In fact, an April 13 Wall Street Journal article reported that the oil-rig technology supported by President Bush as environmentally friendly has malfunctioned at rising rates in the past five years on rigs in western Prudhoe Bay. It seems that environmentally friendly drilling technology is not exactly what it sounds like.

I was also disturbed to read, just yesterday, that Alaska supports only 5 safety inspectors, five, to inspect the production of Alaska's 400 million barrels of oil per year. The Wall Street Journal compared this to Indiana that produces 2.5 million barrels of oil per year and employs nine safety inspectors and California that produces 300 million barrels per year has 40 oil-field safety inspectors. Quite plainly, the 5 percent of Alaska's protected wilderness could face devastating affects from oil and gas exploration.

But, with this all said, I can't say that I'm surprised by the leadership's actions. The Administration has made it very clear to the American people that his term as President is a gift-giving season to the oil industry. This has trickled through to the members of this House. The legislation before us places the oil industry first by opening more land to exploration and profits and by providing royalty "relief"—and it places consumers and environmental protection last.

[The prepared statement of Mr. Kind follows:]

**Statement of The Honorable Ron Kind, Ranking Democrat,
Subcommittee on Energy and Minerals**

Thank you Mr. Chairman. Two weeks ago, a bipartisan House and Senate Congressional delegation was invited by President Bush to the White House to discuss energy issues. At that meeting, the President expressed concern that he was unfairly being characterized as "the Big Oil President" and asked us to work in a bipartisan fashion to develop a balanced national energy policy. I'm sad to say, Mr. Chairman, that this bill does not get us there and did not heed the President's advice. H.R. 2436 is largely a license for the oil and gas industry to accelerate drilling activity while at the same time scaling back important environmental protections. Rather than developing a balanced energy policy, H.R. 2436 provides royalty holidays worth billions of dollars to the oil industry, allows industry to perform its own environmental impact analysis and requires that the federal government reimburse industry for these same analyses. The bill also usurps important federal environmental protections by limiting environmental protection oriented lease stipulations to those allowed by state law. In addition, the bill strips the Forest Service of its authority to consent to proposed leases in National Forest lands, thus opening the way to drilling in roadless areas and other sensitive lands.

We hear good words from the President and our Republican colleagues regarding renewable energy and conservation, but where the rubber meets the road, this legislation's answer to the country's energy crisis is to provide billion dollar royalty holidays to the oil companies, open national monuments to drilling, and scale back environmental protections. This bill is clearly out of touch with what the American people want and expect of us. I challenge our Republican colleagues to work with us to develop a bipartisan energy policy that is balanced and also focuses on renew-

able energy and advanced technology to increase energy efficiency and conservation to meet our energy needs.

Over the short term, we need to increase domestic production of our traditional energy sources to meet our needs. However, this must be done in a manner that is sensitive to the equal need to protect our environment. We should not allow the current situation to be used as an excuse to rollback environmental protection. Over the long term, our economic and environmental future depends on us finding 21st century solutions to our 21st century energy challenges, which means using advanced technology to develop clean, renewable energy sources and becoming more energy efficient.

[The prepared statement of Mr. Tom Udall follows:]

Statement of The Honorable Tom Udall, a Representative in Congress from the State of New Mexico

Mr. Chairman, Mr. Ranking Member:

The Energy Security Act, sponsored by Chairman Hansen, supports several recommendations of the National Energy Policy that was released by the National Energy Policy Group on May 17. Thus, the Energy Security Act promotes an increase in domestic oil, gas, coal, geothermal and solar production on federal public lands. This includes opening national monuments for coal and geothermal energy, which is contrary to the recent House Interior Appropriations bill vote. Moreover, the bill specifically repeals provisions of the Alaska National Interest Lands Act of 1980 and opens 1.5 million acres of the Arctic National Wildlife Refuge (ANWR) to oil and gas leasing and development.

The U.S. Energy Information Administration projects that U.S. demand for refined petroleum products will grow over 35 percent by year 2020, and natural gas is expected to rise in that same time by 45 percent. Instead of reducing this escalating rate of consumption, this legislation suggests, among other things, that the answer to our energy crises is to increase our energy supplies, remove regulatory hurdles, and expedite the permit process for new projects.

A key component of the Energy Security Act is to promote domestic energy security and reduce our reliance on foreign oil. I agree with that premise, but I cannot agree to pursuing that plan by opening the coastal plain of ANWR to oil and gas drilling. Focusing on drilling in ANWR is an unrealistic and misplaced priority because it does not exercise proper stewardship responsibility of our federally managed lands. Moreover, with small changes in vehicle fuel efficiency, we could save many times over the amount of energy at stake. After all, the oil and gas under the coastal plain isn't going anywhere and we may develop future technologies which are much less damaging to this magnificent resource.

The coastal plain of ANWR is the most biologically productive part of the refuge and the heart of its wildlife activity. In the mid-1980's, I rafted the Hula Hula River traveling over 100 miles from the mountains of the Brooks Range, through the coastal plain to the Beaufort Sea. I viewed first-hand the critical habitat for caribou, muskox, swans, snow geese as well as the Porcupine Caribou Herd which supports the subsistence lifestyle of over 7,000 Gwich'in (gwe-CHEEN) American and Canadian Indians who oppose the drilling in ANWR because of the potential disruption of the caribou herd. As such, I question whether this legislation the energy plan in general intends to protect federal lands appropriately and take into consideration the input of the general population and our nation's native and traditional communities who will be most affected by such an initiative.

The Arctic Refuge is the only area on the North Slope of Alaska that has been set aside as off limits to oil and gas leasing. The 23 million acre National Petroleum Reserve-Alaska (NPR-A) was set aside by Congress in 1923 for preservation as a future supply of oil, and was specifically opened for leasing in 1980. With recent discoveries of oil and gas reserves on the North Slope, it makes much more sense to explore for more production in NPR-A instead of squandering the time, energy, and resources on ANWR. Moreover, H.R. 2436 authorizes oil and gas leasing in the Arctic Refuge under broad exemptions from environmental laws. The potential environmental consequences of such legislation could be devastating to the fragile coastal ecosystem of the North Slope.

(Gas Pipelines)

The Energy Security Act would also establish an administrative interagency task force to develop an agreement to expedite and facilitate the environmental review and permitting of interstate natural gas pipelines. However, nowhere in this section does the bill discuss safety during the review and permitting of natural gas pipe-

lines. This is not only important environmentally, but also of great importance to the many safety issues involved.

Reflecting on the horrible pipeline explosion near Carlsbad, New Mexico last August that killed 12 people and on the Bellingham, Washington gas pipeline tragedy, I want to further ensure that our existing and future gas pipelines across the U.S. are safe. With that in mind, the Administration and Congress must strengthen our current oversight program for pipelines in order to enhance safety and reliability. The Secretary of the Interior should take the lead in the administration and work with Secretaries Abraham and Mineta to provide to Congress ideas on how to provide the maximum safety to our committees and to our workers in the industry.

Efforts to expedite and facilitate the environmental review and permitting of interstate natural gas pipelines as outlined in this measure give me concern that an increase in production capacities will have serious environmental consequences. Since many of gas pipelines cross Bureau of Land Management lands, the Department of the Interior should make regulatory law compliance a priority, specifically in regards to environmental analysis and the permitting process.

The projected growth in energy has called into question whether regulatory actions and permitting processes can keep pace with the necessary construction of new delivery facilities. The current staffing and budget levels at the BLM field offices for these efforts are inadequate. I look forward to hearing from Secretary Norton how the Department of the Interior intends to address this issue. Without focusing on this aspect, I do not see how the BLM can effectively implement its resource management program in the lower 48 states with the proposed President's budget. The President's BLM budget for fiscal year 2002 identifies an overall decrease of \$2.1 billion from fiscal year 2001 to \$1.8 billion for fiscal year 2002. Although the administration intends to increase the BLM's energy and mineral program by \$15 million, a large portion of that will be going toward exploration on Alaska's North Slope and completion of the BLM's land management planning process. That doesn't leave much money for the BLM to manage its other programs, and the programs will suffer tremendously because of the budget cuts.

In conclusion, let me say that the key elements for a balanced, long-term comprehensive energy strategy must be the reduction of our consumption levels and diversification of our energy base in an environmentally sound manner. Let me stress that last element—environmentally sound. These basic goals can be accomplished through a variety of measures including improving energy efficiency, promoting the use of renewable energy sources, and enhancing the productive capacity of the domestic oil industry. Thus, a comprehensive strategy should ensure that energy and environmental policies are complementary, and work together to support long term energy goals as opposed to implementing a policy at either extreme. America has placed its trust in this Administration and in Congress to implement an energy policy that is balanced and that serves not only our present environmental and energy interest, but also those of future generations.

