STATEMENT OF
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OF THE DEPARTMENT OF THE INTERIOR
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FIELD HEARING
ON
OIL AND GAS ACTIVITY IN THE ARCTIC

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Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of the Interior's implementation of the Administration's program of safe and environmentally responsible offshore oil and gas development in the Arctic, specifically focusing on the lessons learned. Let me begin by providing a brief overview of recent energy-development related activities that the Department has carried out in Alaska, followed by a discussion of our achievements and future plans with the Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska.

Introduction

Alaska is an important component of our nation's energy strategy. President Obama has stressed the Administration's commitment to a comprehensive, all-of-the-above energy strategy to both grow America's energy economy and continue to reduce our dependence on foreign oil. This includes not only investing in advanced technologies and alternative fuels and energy generation, but also the safe, responsible, and environmentally sustainable production of domestic oil and gas. The Department of the Interior is doing its part to respond to the President's call. America's public lands and federal waters provide resources that are critical to the Nation's energy security.

Congress has placed enormous responsibility and trust in our Department when it comes to Alaska. Through the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service, we manage more than 200 million acres of Alaska – more than half the landmass of the entire State – and we also have primary responsibility regarding the permitting of offshore activities in Alaska's ocean waters. More particularly, Congress has entrusted our Department with the responsibility to oversee both conventional and renewable energy development on our public lands in Alaska, and on the Outer Continental Shelf (OCS). In addition, through the Bureau of Indian Affairs, and with the help of our other bureaus, we also have a special responsibility to promote the federal government's relationship with Alaska

Natives, including honoring their cultural heritage and helping to implement their subsistence rights.

In addition to our regulatory and special trust responsibilities in Alaska, we have a major science commitment in Alaska. The world-class scientists in our United States Geological Survey have taken the lead for the U.S. government, working with the FWS, on many of our most threatened marine and terrestrial species, including polar bears, walruses, sea otters, and caribou (all of which are subject to FWS oversight). USGS scientists also are working with scientists at the University of Alaska and others every day to monitor and better understand seismic and volcanic hazards in the State, to assess Alaska's energy resources, and to analyze the impact that the changing climate in Alaska is having on everything from coastal erosion to permafrost loss and increased fire risk.

With these significant and varied responsibilities in mind, our goal has been to develop a framework in which to manage these natural resources in a fashion that balances our statutory conservation and development missions. We have put in place a process that will facilitate targeted development in the right places at the right time, and to reconcile this development with the protection of areas of sensitive habitat or, in Alaska, that are important for subsistence hunting and fishing activities. This approach is evident in the Department's Proposed Final OCS Oil and Gas Leasing Program for 2012-2017.

Offshore Development

Ensuring the safe and responsible development of the nation's offshore oil and gas resources through leasing under the Five Year Program is an important part of the Administration's strategy. On August 27, 2012, Secretary Salazar approved the Five Year OCS Oil and Gas Leasing Program for 2012-2017 that makes all areas with the highest-known resource potential – including frontier areas in the Alaska Arctic – available for oil and gas leasing. The Five Year Program makes available areas focused on the most likely recoverable oil and gas resources that the Outer Continental Shelf is estimated to hold, and schedules 15 potential lease sales for the five-year period, including 12 in the Gulf of Mexico and three off the coast of Alaska.

The Five Year Program is designed to account for the distinct needs of the regions across the OCS, and it considers a range of factors, including current and developing information about resource potential, the status of resource development and emergency response infrastructure, recognition of regional interests and concerns, and the need for a balanced approach to the use of the Nation's shared natural resources.

Consistent with this goal, the Five Year Program anticipates future lease sales in the Alaskan Arctic. More specifically, the Program identifies a potential 2016 sale in the Chukchi Sea and a 2017 sale in the Beaufort Sea. These potential lease sales are proposed to be held later in the Program because there already are a large number of leases that are awaiting exploration and

development. In addition, important new information is being collected from the exploratory activities and vigorous scientific studies that are now underway.

This approach is consistent with the responsibly cautious approach that we are taking to oil development in the Arctic in order to account for its unique environmental resources. As we proceed, we are drawing from the best available science, and taking full account of the social, cultural, and subsistence needs of Alaska Natives. The Five Year Program also re-affirms existing protections for Arctic coastal areas by continuing to exclude certain areas from leasing, and by identifying an additional exclusion area near Barrow which Alaska Natives rely upon for subsistence whaling activities. The Bureau of Ocean Energy Management (BOEM) also has indicated its intent that future Arctic lease sales will be tailored to appropriate offshore areas, based on factors that include industry interest, resource potential, subsistence hunting and fishing, wildlife, and environmental sensitivities.

Onshore Development

We have pursued the same balanced development approach for onshore oil and gas development in Alaska's National Petroleum Reserve (NPR-A). Developing the energy resources of the NPR-A will help us to enhance domestic energy production and meet our nation's energy demands while decreasing our dependency on foreign oil sources. Secretary Salazar announced in August the preferred alternative for managing the 22.5 million acre NPR-A. This proposed plan will help harness the oil and gas potential of the NPR-A while also protecting wildlife and subsistence rights of Alaska Natives.

As part of that process, the Department engaged in unprecedented outreach to local communities, industry, and other stakeholders, and reviewed more than 400,000 comments. After a thorough analysis, BLM developed a proposal under which approximately 11.8 million acres, covering the large majority of estimated of oil and gas resources in the NPR-A, will be available for leasing. This area is estimated to hold approximately 549 million barrels of discovered and undiscovered economically recoverable oil and approximately 8.7 trillion cubic feet of discovered and undiscovered economically recoverable natural gas. But some sensitive areas, including some key subsistence hunting areas and the unique migratory bird stronghold in the Teshekpuk Lake area, one of the largest Arctic lakes in the world and summer home for hundreds of thousands of waterfowl, will not be eligible for leasing.

This proposed plan strikes the right balance between these important interests.

The proposal also makes clear that if pipelines and infrastructure are needed, including potential pipelines from the north and west, they can be accommodated following project-specific reviews and decision-making in accordance with existing law. Once this new management plan is finalized, it will provide industry with added certainty about where and how development can move forward in the NPR-A.

And at the end of last month, the Department announced that the BLM will hold its second oil and gas lease sale in the past year on November 7, 2012, in Anchorage. The sale will include 400 tracts and cover approximately 4.5 million acres in the NPR-A. This sale further responds to President Obama's direction in May 2011 that annual oil and gas lease sales be conducted in the NPR-A. The previous sale in the NPR-A, last December, made 283 tracts and three million acres available.

Alaska Interagency Working Group

Alaska and its resources are clearly an important part of our nation's energy future. We believe that we are making good, common-sense decisions on all of these Arctic development issues, based on the best science available and input from the State, municipalities, Alaska Natives and other stakeholders. And we are continuing to foster new and innovative methods for better informed and coordinated decision-making.

Under Executive Order 13580, issued July 20, 2011, the President established the Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska in order to facilitate the orderly and environmentally sound development of renewable and conventional energy in Alaska. The President appointed me, as the Deputy Secretary of the Department of the Interior, to serve as chair of the Alaska Interagency Working Group. Under the Executive Order, the Alaska Interagency Working Group is charged with coordinating permitting activities among the many agencies that have permitting-related authority. As noted above, many of the primary permitting responsibilities reside in the Department of the Interior, but other agencies involved in many projects include the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, the U.S. Army Corps of Engineers, and the Coast Guard.

Through the President's Executive Order and operation of the Alaska Interagency Working Group, we have for the first time created a coordinating vehicle for that provides clearer access to decision-makers for all stakeholders with an interest in proposed development activity, and more certainty for companies that want to do business in Alaska and the Arctic. To be clear, the Alaska Interagency Working Group does not tell agencies how they should make decisions under the authorities that Congress has given them, but it sets an expectation that the participating agencies will actively communicate with each other and respect reasonable timelines. And this is paying dividends in better coordinated permitting and decision-making.

For example, the Alaska Interagency Working Group has consistently helped to facilitate coordination and collaboration between agencies as they considered requests by Shell, related to their proposed exploratory drilling activities in the Chukchi and Beaufort Seas. Relevant agencies worked together through their respective approval processes, each upholding their specific requirements on parallel, coordinated schedules. The working group also provided a forum for input by municipalities, Alaska Natives and other key stakeholders. This feedback

helped agencies to develop the specific conditions of program approvals – for example, a measure included in the approval of Shell's Exploration Plan for the Chukchi Sea designed to mitigate the risk of an end-of-season oil spill by requiring Shell to leave sufficient time to implement cap and containment operations as well as significant clean-up before the onset of sea ice, in the event of a loss of well control.

This cross-agency effort helped to ensure that Shell had a clear, holistic understanding of the federal government's expectations, and what they needed to do in order to comply. Moreover, coordination between agencies has proved invaluable over the past months, as agencies worked through last-minute issues, often on tight timelines, in preparation for potential activity this summer. Ultimately, Shell is moving forward with certain drilling activities in both the Beaufort and Chukchi Seas as it prepares for potential additional exploration and development activities in the future.

As we made clear from the start, Shell's approved operations must meet the rigorous safety, environmental protection, and emergency response standards that the Department has put in place for the Arctic. Bureau of Safety and Environmental Enforcement inspectors are on each of Shell's drilling rigs full-time, carefully overseeing those activities. Shell has shown a commendable commitment to meeting these standards, and we will continue to work with Shell for the remainder of this year and into the future. As you know, Shell is currently conducting top-hole drilling activities in non-hydrocarbon bearing zones in both the Beaufort and Chukchi seas.

The collective experience gained in the course of our preparations for this summer's activities, in terms of organizing, testing and deploying emergency and response equipment, vessels and personnel, is invaluable and will serve us well into the future. We also expect that this summer's activities will yield important information about weather and sea ice conditions, coastal and ocean currents, biological data, as well as sea floor mapping. Much of this information will come from Shell's activities, and the Alaska Interagency Working Group has provided an important mechanism to help agencies to coordinate their own information-gathering and analytical efforts in order to maximize the extent to which new information is leveraged and incorporated into decision-making processes.

Strengthening the Role of Science and Adopting an Integrated Management Approach for the Arctic

The Alaska Interagency Working Group is also working to strengthen the role of science in agency management decisions related to energy development in the Arctic.

As noted above, the Department draws from the best available science as we develop our leasing and management plans, an approach that is critical when addressing energy and other

development issues in the fragile Arctic. There is an enormous amount of scientific research underway in the Arctic, and the Alaska Interagency Working Group is helping to improve the lines of communication between the scientific community, decision-makers, and the public so they can work together to answer key questions.

As an outgrowth of the discussions that our Alaska Interagency Working Group has had with the science community, and the need that I have identified, as Chair, to improve the interface of the science community with decision-makers and to adopt a more holistic approach when making project-based decisions in Alaska – and particularly in the Arctic – the Alaska Interagency Working Group has been asked to prepare a report to the President by the end of this year that will address two issues:

1. The establishment of a centralized hub of scientific information to help inform decision-makers and the public; and

2. The development of a framework for building a more integrated approach to evaluating potential infrastructure development in the Alaskan Arctic.

With regard to the first issue, the Interagency Working Group is partnering with the Arctic Research Commission and its chair, Fran Ulmer, and other members of the scientific community to develop a centralized and accessible database of scientific information and traditional knowledge relevant to resource management in the Arctic. This will provide more and better access for all decision makers – whether they are State, federal or local – to a centralized hub or portal for this information to help inform decision-makers and the public. Never before has there been an effort to pull together this range of scientific information on the Arctic into a single portal for access by all.

The initiative will build upon existing data collections, such as the North Slope Science Initiative's Data Catalogue, Arctic ERMA, ocean.data.gov, regional observing systems, private industry and the University of Alaska's Geographic Information Network of Alaska, and it will complement existing interagency efforts like the Interagency Arctic Research Policy Committee, which is developing a five-year plan for Arctic research covering FY 2013-2017. Special consideration will be given to ensuring that cultural and traditional knowledge are fully integrated.

Our work on the second issue will address the potential development of an "Integrated Arctic Management" framework for evaluating potential infrastructure development in the Alaskan Arctic. We recognize that with the burgeoning interest in the Arctic – domestically and internationally - and anticipated growth in energy development, shipping, tourism, and the like, traditional subsistence lifestyles and a sensitive environment may be impacted. It is important that, given these challenges, we make decisions based on good science, traditional knowledge, and with an eye toward the future. Simply put, today's decisions should be made in a broader

context that looks down the road and considers what decisions may be put in front of us tomorrow.

Working closely with the State of Alaska, Alaska Natives, local communities, and the many agencies and stakeholders that have been focusing on specific projects or regions, the framework will compliment the efforts of the National Ocean Council and pull together Arctic-wide information that is relevant to future decision-making, including ecologically and culturally important areas, natural resources and processes, and key drivers of environmental changes in the Arctic; trends, environmental and otherwise, that affect these resources over time; and commercial, societal, and governmental trends that could lead to future infrastructure related needs in the Arctic.

This type of approach will assist in making sound decisions regarding potential future infrastructure development in the Arctic as it recognizes the importance of a comprehensive approach in the Arctic, rather than evaluating activities on a sector-by-sector, project-by-project, or issue-by-issue basis.

Renewable Energy Development

Before I close, let me also mention that the Alaska Interagency Working Group is pursuing an aggressive renewable energy agenda and is working to facilitate the development of wind, biomass, and hydropower across Alaska, with a special focus on delivering affordable, reliable energy to remote villages located off the electricity grid. In particular, our Working Group is collaborating with the State of Alaska, industry, Alaska renewable energy experts, and native community representatives to develop practical and, to the extent possible, replicable small-scale wind-diesel energy technologies for villages off the grid in Alaska. The potential upside here is enormous, both for the Alaska Native villages and for the promise that such systems might hold for other isolated villages around the world.

Conclusion

President Obama has stressed the Administration's commitment to a comprehensive, all-of-the-above energy strategy to both grow America's energy economy and continue to reduce our dependence on foreign oil. America's public lands and federal waters provide resources that are critical to the Nation's energy security. We at the Department are doing our part to ensure that development of the resources under our jurisdiction is carried out in a manner that balances our statutory conservation and development missions, and we are committed continuing to advance better coordinated federal permitting and decision-making across government.

We have put in place a process that will facilitate targeted development to the right places at the right time, and to reconcile this development with the protection of sensitive or special habitats. And through the Alaska Interagency Working Group, we are better coordinating federal

permitting activities and working to strengthen the role of science in agency management decisions related to energy development in the Arctic.

Mr. Chairman, thank you again for the opportunity to be here today to discuss these important issues. I am happy to answer any questions that you or the Committee may have.