

**Statement of
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**Before the
House Natural Resources Committee
Subcommittee on Energy and Mineral Resources
Oversight Hearing on the FY 2013 Energy and Minerals Budget Request
Of the Bureau of Land Management**

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Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President's Fiscal Year (FY) 2013 energy and minerals budget request for the Bureau of Land Management (BLM).

The BLM, an agency of the U.S. Department of the Interior (DOI), is responsible for managing our National System of Public Lands, which are located primarily in 12 western States, including Alaska. The BLM administers over 245 million surface acres, more than any other Federal agency. The BLM also manages approximately 700 million acres of onshore subsurface mineral estate throughout the Nation. The BLM's unique multiple-use management of public lands includes activities as varied as energy production, mineral development, livestock grazing, outdoor recreation, and the conservation of natural, historical, cultural, and other important resources. The BLM is one of a handful of Federal agencies that generates more revenue than it spends.

Meeting Our Nation's Needs

The BLM's management of public land resources and protection of public land values results in extraordinary economic benefits to local communities and to the Nation, helping to contribute more than \$120 billion annually to the national economy and supporting more than 550,000 American full and part-time jobs according to the Department of the Interior Economic Contributions report of June 21, 2011. Energy and mineral resources generate the highest revenue values of any uses of the public lands from royalties, rents, bonuses, sales and fees.

These benefits are not only economic, but also contribute substantially to America's energy security. During calendar year 2011, the BLM held 32 onshore oil and gas lease sales – covering nearly 4.4 million acres – which generated about \$256 million in revenue for American taxpayers. Onshore mineral leasing revenues are estimated to be \$4.4 billion in 2013. The 2011 lease sale revenues are 20 percent higher than those in calendar year 2010. There are currently over 38 million acres of Federal mineral estate under oil and gas lease, and since only about 32 percent of that acreage is currently in production, the BLM is working to provide greater incentives for lessees to make production a priority. In FY 2011, the Department of the Interior collected royalties on more than 97 million barrels of oil produced from onshore Federal minerals. Moreover, the production of nearly 3 trillion cubic feet of natural gas made it one of the most productive years on record.

Meanwhile, the coal produced from more than 300 Federal coal leases, on nearly a half million acres of federal mineral estate, generated over \$780 million in royalties. This coal is used to generate electricity in at least 40 states, accounting for more than one-fifth of all electricity generated across the country. The BLM held four coal leases sales in 2011. The BLM accepted bonus bids of more than \$700 million for these four lease sales, underscoring the Administration's commitment to the goals of energy security and job creation.

The BLM also is leading the Nation on the new energy frontier, actively promoting solar, wind, and geothermal energy development. Under Secretary Salazar, BLM has approved permits for 29 commercial-scale renewable energy projects on public lands or the transmission associated with them since 2009. This includes 16 solar, five wind, and eight geothermal projects. Together, these projects represent more than 6,500 megawatts (MW) and 12,500 jobs, and when built will power about 1.3 million homes. In addition, the Department has identified more than 3,000 miles of transmission lines for expedited review. Enhanced development of wind power is a key component of our Nation's energy strategy for the future. There are currently 437 MW of installed wind power capacity on BLM-managed public lands, but there are 20 million acres of public lands with wind potential. Additionally, nearly half of U.S. geothermal energy production capacity is from Federal leases. The 2013 budget reflects a goal of permitting a total of 11,000 MW of clean renewable energy by the end of 2013.

FY 2013 Budget Overview

The BLM's FY 2013 energy and minerals budget makes significant investments in America's economy, while making difficult choices to offset priority funding increases. Investments in this budget will promote America's energy production at home and grow America's economy. The proposed budget for the BLM makes a strategic investment in support of the New Energy Frontier, an important Secretarial Initiative. Investment in this program today will reap benefits for years to come.

The total FY 2013 BLM budget request is \$1.1 billion in current authority, which is essentially the same as the 2012 enacted level. The budget proposes \$952.0 million for the Management of Lands and Resources appropriation and \$112.0 million for the Oregon and California Grant Lands appropriation, the BLM's two main operating accounts. The budget makes strategic funding shifts to target high-priority initiatives, scales back on lower-priority programs, and sustains and expands energy program activities. The budget also includes several important legislative proposals linked to the uses of lands and resources, including proposals to fund the remediation of abandoned hardrock mines; to provide a fair return to the taxpayer from the production of several hardrock minerals on Federal lands; to encourage diligent development of oil and gas leases; to repeal a prohibition on charging oil and gas permitting fees along with associated mandatory funds; and to reauthorize the Federal Land Transaction Facilitation Act. This testimony focuses on the BLM's energy and mineral resources programs.

Promoting American Energy Production at Home

The 2013 budget continues the Department's New Energy Frontier initiative to create jobs, reduce the Nation's dependence on fossil fuels and oil imports, and reduce carbon impacts. The Secretary's New Energy Frontier Initiative emphasizes the value of scientifically-based, environmentally-sound development of both renewable and conventional energy resources on the Nation's public lands. Facilitating renewable energy development is a major component of this strategy along with effective management of conventional energy programs. The BLM's proposed FY 2013 budget advances the goals of the initiative by including priority funding for both renewable and conventional energy development on public lands.

Renewable Energy – President Obama, Secretary Salazar, and the Congress have stressed the critical importance of renewable energy to the future of the United States. Success in attaining the Nation's goals to reduce greenhouse gas emissions, mitigate climate change, and protect the global environment relies on sustained efforts to develop renewable energy resources. Renewable energy production is vital to our Nation's long-term economic development and energy security. The development of renewable energy creates American jobs and promotes innovation in the United States while reducing the country's reliance on fossil fuels.

The BLM continues to make significant progress in promoting renewable energy development on the public lands in 2012, including working to approve additional large-scale solar energy projects and complete a draft Solar Programmatic Environmental Impact Statement to provide for landscape-scale siting of solar energy projects on public lands. The agency is working on wind development mitigation strategies with wind energy applicants and other Federal agencies, and is currently reviewing over 45 wind energy applications. Additionally, the transmission infrastructure required to deliver renewable energy from production facilities to major markets relies on corridors across BLM-managed lands.

The 2013 budget request includes a total program increase of \$7.0 million in the Renewable Energy Management program, including \$5.0 million in new funding. This will support additional environmental studies to accelerate the identification of prime areas for utility-scale renewable energy project development. It will also enable the BLM to continue ongoing program management responsibilities associated with geothermal energy development by replacing mandatory funding previously provided by the Geothermal Steam Act Implementation Fund, for which new deposits have ceased. The remaining \$2.0 million increase is a transfer of geothermal funds from the oil and gas management program to the BLM's renewable energy program.

Conventional Energy – While we work to develop renewable energy sources, domestic oil and gas production remain critical to our nation's energy supply and to reducing our dependence on foreign oil. Secretary Salazar has emphasized that conventional energy resources on BLM-managed lands continue to play a critical role in meeting the Nation's energy needs. Conventional energy development from public lands produces 41 percent of the Nation's coal, 13 percent of the natural gas, and 5 percent of the domestically-produced oil. The Department's balanced approach to responsible conventional energy development combines onshore oil and gas policy reforms with effective budgeting to provide appropriate planning and support for conventional energy development.

The FY 2013 budget proposes an increase of \$2.4 million in appropriated funding to be utilized for inspection and enforcement of coal production on Federal and Indian lands. The requested increase will fund the program at roughly the 2011 enacted level. BLM will continue efforts to institute cost recovery fees within this program, but recognizes these fees may not be in place by the start of 2013.

The President's FY 2013 budget proposes \$13.0 million in oil and gas program increases to provide industry with timely access to Federal oil and gas resources, backed by the certainty of defensible environmental analysis. Of that increase, a \$5.0 million program increase will restore the BLM's leasing and oversight capacity to the 2011 enacted level. An additional \$3.0 million will be used for large, regional-scale studies and environmental impact statements for oil and gas leasing and development issues. Finally, an additional \$5.0 million programmatic increase will allow the BLM to fully implement its leasing reform strategy without sacrificing other important program goals.

The BLM is committed to ensuring oil and gas production is carried out responsibly. To accomplish this, the BLM performs inspections to ensure that lessees meet environmental, safety, and production reporting requirements. The BLM recently initiated a program using a risk-based inspection protocol for production inspections, based on production levels and histories. Success realized in this program will support expansion of this risk-based strategy to the other types of inspections the BLM performs. The risk-based strategy will maximize the use of inspection staff to better meet BLM inspection goals and requirements in the future.

The 2013 budget proposes to expand and strengthen the BLM's oil and gas inspection capability through new fee collections from industry, similar to the fees now charged for offshore inspections. Collection of these fees is consistent with the principle that users of the public lands should pay for the costs of use authorizations and the costs associated with the oversight of authorized activities. The inspection fee schedule included in the budget is estimated to generate \$48.0 million in collections, which would offset a proposed reduction of \$38.0 million in BLM's appropriated funds, while providing for a net increase of \$10.0 million in funds available for this critical BLM management responsibility. The increased funding is aimed at correcting deficiencies identified by the Government Accountability Office in its February 2011 report, which designated Federal management of oil and gas resources including production and revenue collection as high risk. The \$10.0 million increase will help BLM achieve the high priority goal of increasing the completion of inspections of Federal and Indian high risk oil and gas cases by nine percent over 2011 levels. The BLM will also complete more environmental inspections to ensure environmental requirements are being followed in all phases of development. Fee levels will be based on the number of oil and gas wells per lease so that costs are shared equitably across the industry.

To encourage diligent development of new oil and gas leases, the Administration is proposing a per-acre fee on each nonproducing lease issued after enactment of the proposal. The \$4-per-acre fee on non-producing Federal leases (onshore and offshore) would provide a financial incentive for oil and gas companies to either put their leases into production or relinquish them so that tracts can be re-leased and developed by new parties.

The Administration believes that American taxpayers should get a fair return on the development of energy resources on their public lands. A 2008 Government Accountability Office (GAO) report suggests that taxpayers could be getting a better return from Federal oil and gas resources in some areas. To this end, the Administration is developing a proposed rule to address onshore royalty rates.

Abandoned Mine Lands & Hardrock Mining Reform Proposals

The budget includes legislative proposals to address abandoned mine land (AML) hazards on both public and private lands and to provide a fair return to the taxpayer from hardrock production on Federal lands. The first component addresses abandoned hardrock mines across the country through a new AML fee on hardrock production. Just as the coal industry is held responsible for abandoned coal sites, the Administration proposes to hold the hardrock mining industry responsible for abandoned hardrock mines. The proposal will levy an AML fee on all uranium and metallic mines on both public and private lands that will be charged on the volume of material displaced after January 1, 2013. The receipts will be distributed by BLM through a competitive grant program to restore the Nation's most hazardous hardrock AML sites on both public and private lands using an advisory council comprising of representatives of Federal agencies, States, Tribes, and non-government organizations. The advisory council will recommend objective criteria to rank AML projects to allocate funds for remediation to the sites with the most urgent environmental and safety hazards. The proposed hardrock AML fee and reclamation program would operate in parallel to the coal AML reclamation program, as two parts of a larger effort to ensure that the Nation's most dangerous coal and hardrock AML sites are addressed by the industries that created the problems.

The budget also includes a legislative proposal to institute a leasing process under the Mineral Leasing Act of 1920 for certain minerals (gold, silver, lead, zinc, copper, uranium, and molybdenum) currently covered by the General Mining Law of 1872. After enactment, mining for these metals on Federal lands would be governed by a leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the royalty receipts would be distributed to the states in which the leases are located and the remaining half would be deposited in the Treasury. Pre-existing mining claims would be exempt from the change to a leasing system, but would be subject to increases in the annual maintenance fees under the General Mining Law of 1872. However, holders of pre-existing mining claims for these minerals could voluntarily convert their claims to leases. The Office of Natural Resources Revenue in the Department of the Interior will collect, account for, and disburse the hardrock royalty receipts.

Reductions & Efficiencies

The BLM's FY 2013 budget proposal reflects many difficult choices in order to support priority initiatives and needs while supporting the President's commitment to fiscal discipline and spending restraint. In 2013, the BLM is requesting a decrease of \$2.0 million for its abandoned mine lands program. The BLM will continue to fund the highest priority sites, as determined through its ongoing ranking process. Red Devil Mine reclamation activities remain a high priority.

Conclusion

The BLM's Fiscal Year 2013 budget request for energy and minerals programs provides funding for the agency's highest priority energy and minerals initiatives, while making difficult but responsible choices for reductions to offset some of these funding priorities. Our public lands and resources play an important role in American lives, economies, and communities and include some of our Nation's greatest assets. This budget request reflects the Administration's commitment to encourage responsible energy development on the public lands, as well as to ensure the American people receive a fair return for the public's resources. Mr. Chairman, thank you for the opportunity to testify on the BLM energy and mineral budget request for Fiscal Year 2013. I will be pleased to answer any questions you may have.