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BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
NATURAL RESOURCES COMMITTEE,
SUBCOMMITTEE ON ENERGY and MINERAL RESOURCES

“IMPLEMENTATION OF TITLE III, THE OIL AND GAS PROVISIONS OF
THE
ENERGY POLICY ACT OF 2005”

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UTAH’S APPROACH TO ENERGY AND ECONOMIC DEVELOPMENT

Thank you, Mr. Chairman and Members of the Subcommittee, for allowing me to share Utah’s perspective on the Energy Policy Act of 2005. I am testifying as the Utah Senate Majority Leader and as a member of the American Legislative Exchange Council (ALEC). ALEC has over 2,400 legislator members from all fifty states and over 90 members in the Congress. It is an honor to serve and to testify today.

Utah State’s energy policy mandates that we develop

“... Adequate, reliable, affordable, sustainable, clean energy resources.”

That we

Promote the development of nonrenewable energy resources (such as natural gas, coal, oil, oil shale, and tar sands), AND renewable energy resources (including geothermal, solar, wind, biomass, biodiesel, and ethanol).

Utah has three objectives. To

“...pursue energy conservation, energy efficiency, and environmental quality.”

Our policy states we will

Promote the development of resources and infrastructure sufficient to meet our demand AND contribute to the regional and national energy supply, to reduce dependence on international energy sources.

We believe

“... economic prosperity is linked to the availability, reliability and affordability of consumer energy supplies...”

[Source: Utah Code 63-53b-301, enacted in 2006.]

OIL SHALE, SPECIFICALLY

I want to talk about oil shale, specifically.

America has a tremendous resource in the Green River Formation. It's a layer of rock 40 to 60 feet thick under parts of Utah, Colorado and Wyoming. In White River, Utah, it lies about a thousand feet below the surface.

This layer of rock is sedimentary stone but 18 percent of its weight is ancient organic material. Heat it up and you can extract shale oil (and high BTU gas). Refine it and you get premium transportation fuel.

Some people estimate the Green River Formation holds 2 trillion barrels of recoverable oil. 2 trillion barrels of oil is enough to meet current U.S. demands for the next 400 years.

The total recoverable crude oil ON EARTH is estimated at about 1 trillion, over half of that in the Middle East. The U.S. has about five percent. In contrast, the U.S. has about 73 percent of the total recoverable oil shale reserves.

Our nation's demand for oil is increasing. At the same time, increased global demand, skyrocketing energy prices, geopolitical instability, concerns about peak oil production and supplies make the situation problematic. We will not be able to conserve our way out of this dilemma. All these factors make oil shale an attractive resource to help to solve our country's dependency problems.

There are a number of state initiatives in Utah to assist with energy development. One of these, the Utah Science Technology & Research Initiative (USTAR), provides money to research institutions to develop economically viable programs in all areas of science, including energy.

The Utah State University Vernal Campus, located in the Uintah basin, in cooperation with USTAR is developing an Energy Research Center which will work with the BLM, and the oil and gas industry on emerging energy resources such as oil shale and tar sands. USTAR is one way local communities are working to promote energy development in rural Utah.

Successful development of oil shale will help to solve our nation's energy dilemma and also bring millions and eventually billions of dollars to Utah and the Uintah Basin in royalties, mineral lease monies, and other economic benefits.

Utah's White River Mine operation, run by the Oil Shale Exploration Company (OSEC) will be one of our nation's flagship ventures into this alternate fuel.

OSEC is ready to move forward, but are still waiting for the BLM to approve the lease. While we don't begrudge federal agencies' caution, we would like to see good, safe, environmentally sound projects roll forward more expeditiously.

RESPONSIBLE USE OF THE LAND

Today's mining techniques are much different than the mining of the 1890s. We can find what we need in the earth without undue impact to the landscape. Most parties are committed minimizing impact to the land.

The footprints of these new mining operations tend to be limited to necessary infrastructure, plus entry and exit points in the earth. We are not comfortable with the strip-mining model of oil shale extraction.

In Colorado, Shell Oil is developing an *in situ* conversion process drawing the usable material directly from the rock where it lies. Colorado shale is closer to the surface, while Utah's shale is 1000 feet underground – we'll have to tunnel down and bring it out, using the room-and-pillar mining methods. The mined shale will then be crushed and pryo-processed in a retort to produce shale oil.

There will be many challenges to overcome before we produce oil shale commercially. These include: productive use of the spent shale, mitigating greenhouse gases, finding enough water to facilitate the process; and, the high cost to private companies.

If the private sector makes all the investments, we are looking at the year 2025 before you get your first tank of gas from oil shale. Government has an opportunity to really help jump-start this emerging unconventional fuel.

We would request that government at all levels look at appropriate incentives to speed this process. Last year, Utah provided a severance tax exemption to encourage developing oil shale technologies.

Until we figure out how to commercially produce this resource, we are at the mercy of Venezuela, Saudi Arabia, and other oil producing countries.

Utah is a beautiful state and we want to keep it that way. We believe we can pursue resource extraction in a way that is sustainable and environmentally responsible.

ECONOMIC and COMMUNITY LANDSCAPE OF THE WEST

The landscape of the American West is a constellation of small communities surrounded by vast stretches of federal land, and dotted here and there with larger towns and cities. We enjoy stunning vistas and unbelievable recreational opportunities, but those same vistas can constrict economic opportunity. In Utah, less than 30 percent of our land is privately held. The federal government owns and controls over 70 percent. That creates unique challenges in meeting the needs of a growing population.

The revenue from oil, gas and other mining helps make up for the inability to derive revenue such as property taxes from federal lands.

In the budgeting process at the Utah State Legislature, we treat volatile income streams such as severance tax revenue as one-time income. We don't initiate ongoing programs with that money, but we can build roads, bridges, buildings, and infrastructure that is vital to our rural communities.

Skeptics warn of a boomtown economy. They have a point, but, there are natural cycles in every sector of our economy. If forced to make the choice, we'd rather have a boom and bust, than just constant bust. However, I believe there are alternatives that can moderate those cycles.

The small communities in eastern Utah and Western Colorado were devastated by Black Sunday 1982, when oil prices plummeted to \$12 a barrel. The Colony oil shale project in Western Colorado locked its gates and overnight, thousands of workers found themselves without a job, the local economies were immediately thrown into a recession.

The politics and economics are much different now than they were in the 1970s. However, we still need to proceed in a careful, deliberate manner that will help avert the tragic social and economic dynamics of the past.

We are grateful to live in a land that is so beautiful and offers so much opportunity for the nation.

We invite each level of government to do what it can to facilitate responsible energy development. The opportunities to do so are completely within our grasp.

We do not believe that extracting natural resources and good stewardship of the land are mutually exclusive. Our economy depends on our ability to use these resources.

Let's get ourselves out of the energy impasse.

As a state, we believe we need to

- * Pay attention to the opportunity for jobs in our rural areas;
- * Work to provide energy for a growing region and hungry nation;
- * Continue to explore non-traditional, alternative energy sources;
- * Provide royalty, or tax incentives to encourage development of new technologies;
- * Develop these resources deliberately and responsibly, so our western landscape will always be majestic and functional as a natural community; and so the boom and bust cycles of the past do not repeat themselves to the detriment of our local communities.

The current policy of the United States is that

(1) United States oil shale, tar sands, and other unconventional fuels are strategically important domestic resources that should be developed to reduce the growing dependence of the United States on politically and economically unstable sources of foreign oil imports;

(2) the development of oil shale, tar sands, and other strategic unconventional fuels, for research and commercial development, should be conducted in an environmentally sound manner, using practices that minimize impacts; and

(3) development of those strategic unconventional fuels should occur, with an emphasis on sustainability, to benefit the United States while taking into account affected States and communities.

[Source: TITLE 42. THE PUBLIC HEALTH AND WELFARE, CHAPTER 149. ENERGY POLICY, 2005 - OIL AND GAS ACCESS TO FEDERAL LANDS (42 USCS § 15927: Oil shale, tar sands, and other strategic unconventional fuels)]

That policy makes a lot of sense to us.

This is an important committee. I am grateful for the opportunity to speak to you this afternoon. If you have questions, I would be happy to respond.