EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 17, 2008
(House)

STATEMENT OF ADMINISTRATION POLICY

H.R. 6515 – To amend the Naval Petroleum Reserves Production Act of 1976 and for other purposes

(Rep. Rahall (D) WV)

The Administration strongly opposes H.R.6515, which fails to address the pressing energy needs of our Nation. Instead, the bill would discourage the development of domestic energy resources, drive up gasoline prices, and reduce the Nation's energy security. With gasoline prices at historic highs, it is unimaginable that Congress is considering legislation that would, among other things, reduce domestic oil supply by chilling investment and placing new restrictions on how exploration can go forward. If H.R. 6515 were presented to the President, his senior advisors would recommend that he veto the bill.

This legislation is another example of the Democratically controlled Congress' failure to address the root causes of high gasoline prices. The President has put forward a combination of Federal policies to access our domestic resources, break our dependence on fossil fuels, improve our energy efficiency, and harness the power of alternative fuels and renewable energy technologies – while at the same time increasing our energy security and ensuring our economy can continue to prosper and grow.

On Monday, July 14, the President lifted an executive prohibition on drilling for oil and natural gas on the Outer Continental Shelf and urged Congress to remove a similar legislative barrier. The President has repeatedly called on Congress to take additional measures to address the Nation's energy needs including: (1) removing the prohibition on completing commercial oil shale leasing regulations to allow access to this promising resource; (2) permitting oil and gas exploration and development in a remote region of Northern Alaska; and (3) streamlining the permitting process for expansions and reconfigurations of refineries. In lieu of the current flawed piece of legislation, the Administration strongly urges the Congress to take action in these areas.

The bill prohibits the granting of new oil or gas exploration or production leases to any entity that is not "diligently developing" its existing leases on Federal lands. Current law already establishes initial lease periods and requires that reasonable progress be made toward production of resources from Federal oil and gas leases. Failure to demonstrate and maintain progress toward commencing production already results in the forfeiture of the lease and any extensions, as well as the lessee's investment in it.

By blocking some firms from competing for new leases, this legislation would further increase gasoline prices that already exceed $4 per gallon and result in unintended consequences due to litigation. Even though new leases will take years to develop, oil markets are forward-looking, and an expected decline in future supply will raise prices today.

This bill mandates additional oil and gas leasing sales within the National Petroleum Reserve - Alaska (NPR-A). This mandate is misplaced, as regular lease sales are already occurring. The key impediment to increasing production from NPR-A is the near continuous legal challenges to Federal lease sales in Alaska—lawsuits that would just as surely prevent any meaningful progress intended by the bill's mandates. The Administration urges Congress to address this key impediment, and thereby have a real positive impact on production.

This bill seeks to expedite construction of pipelines in Alaska for oil and natural gas. The Administration is willing to help expedite any Federal permits needed to facilitate construction of such pipelines. However, the Administration would oppose any requirement for further Federal funding or financial support for these pipelines, as there are sufficient market incentives for their development. In particular, the Administration would strongly oppose any additional Federal financial incentives beyond the already authorized $18 billion in Federal loan guarantees. If Congress really wants to have a positive impact on production in Alaska, they should allow more production in the area of Alaska's National Wildlife Refuge that was set aside for oil and gas exploration.

Finally, this bill requires that Alaskan oil production supply only U.S. markets. Such a ban on the export of Alaskan oil is unnecessary and unwise. None of the oil production from the North Slope of Alaska is sold beyond Alaska and the Lower-48 States. The U.S. Congress did pass a law in 1995 permitting exports, but virtually no oil has been exported for the past eight years. Such a ban would make virtually no additional oil available to U.S. consumers, and would not lower oil prices that are set in a world market. At the same time, such export restrictions are detrimental to the efficient operation of global energy markets and would send the wrong signal to our trading partners who may face pressure to impose similar trade restrictions.

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