Suggested Remarks Prepared for
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Introduction

It's a pleasure to be in Portsmouth, and I appreciate Sarah Crawford arranging for me to talk with you about the Department of the Interior's energy programs.

Although energy is on everyone's mind these days, many people do not associate the Interior Department with energy development. They tend to think of our National Parks. But in fact, about a third of the energy produced in the country comes from public lands and resources managed by Interior.

This includes almost half the nation's coal, more than a third of domestic oil and gas, about 17 percent of the country's hydropower and half the geothermal energy produced in the U.S. It also includes growing amounts of wind, solar, and biomass energy.

Interior does not produce energy; we provide access and we manage development. Keep in mind I will be talking about *federal* oil and gas resources; my remarks do not address production from private or State–owned energy resources, which also is significant.

The Minerals Management Service (or MMS as we call it) oversees offshore production, while the Bureau of Land Management (or BLM) manages onshore production of federal oil and gas resources. I oversee the activities of both agencies as the acting Assistant Secretary of Land and Minerals Management at the Interior Department.

Energy – New Hampshire

While we don't manage energy development here in New Hampshire, what we do affects your economy and your businesses, because, as you know, business needs energy.

Domestic energy is important to our national security as well. We must lessen our dependence on oil from unstable parts of the world, such as the Middle East.

Yet, at the same time, we need increased supplies of energy. Here in New Hampshire, last summer's record heat put a strain on electricity supplies and prices skyrocketed.

With your long winters and recent hot summers, you in New Hampshire have been paying some of the highest energy costs in the nation in the past few years.

There are a number of variables that play into these high prices, but supply is a key factor. And with this summer's current heat wave, our use of electricity nationally is breaking records and straining capacity.

New Hampshire has some innovative energy programs coming online to help address the energy situation on a local level. I understand that New Hampshire is granting loans to encourage small businesses to use renewable energy. Only a few days ago, your state economic opportunity office sponsored a session to help businesses take advantage of renewable energy opportunities.

Department of Interior Renewable/ Conservation

The Department of the Interior is also using more renewable energy and implementing new energy saving measures in our offices. For example, we are piloting a program that will reduce energy use by 26% at our Interagency Fire Center in Boise with new energy efficient lighting, boilers and controls. We will expand this program to other offices once we determine its effectiveness.

And did you know that the Statue of Liberty is lit by energy produced entirely from wind power?

We are not only using renewable energy at Interior, we are facilitating new development of commercial renewable energy on public lands and now, with new authority under the Energy Policy Act, in offshore waters as well.

The President has underscored the importance of decreasing our dependence on fossil fuels and working to develop renewable sources of energy such as wind, hydrogen and biofuels. These alternative and renewable sources of energy are important; and they may one day replace fossil fuels.

But even though wind power is the fastest growing energy sector, experts predict that renewable energy (such as hydropower, wind, solar, geothermal and biomass) will only supply about 10% of our energy needs by 2030. That still leaves 90% of our energy demand unmet.

That is why this administration continues to emphasize fossil fuel production. It is not that we do not support renewable energy and conservation. But rather we recognize that this nation's economy will continue to depend on oil, gas and coal for the next several decades.

America's Huge Energy Appetite

Our production of energy here at home is simply not keeping up with increasing demand for energy. Consider this:

- The U.S. consumes about 21 million barrels of oil per day yet we only produce about 8 million barrels per day. We must import the rest.

- The U.S. produces a lot of natural gas, but we still need to import 15% of what we consume.

Despite increased conservation and energy efficiency, U.S. energy consumption is expected to go up, not down, in the near future. Although it will slow down a bit, demand is still expected to grow more than 25% over the next 20 years in this country alone, and that includes growth in every sector.

And no wonder. The size of the average house in this country has increased more than 50 percent in the last 30 years. And we are building more houses and offices each year. These will require more energy for heat, air conditioning and light.

A Global Trend

Increased energy demand is not unique to America; it is a global trend. Energy demand in China and India is expected to more than double in the next 25 years. In other words, the world needs unprecedented amounts of energy, and soon.

President's Energy Policy

From day one, President Bush understood that this imbalance between our energy production and our energy consumption has serious consequences for our economy and our national security.

His 2001 National Energy Policy provides a comprehensive framework for the nation to address this serious energy situation. The three components of this policy are:

1) Conserve energy and be more efficient in our use of it,
2) Diversify our energy supply by promoting development of renewable sources of energy, and

3) Increase domestic production of oil and natural gas in an environmentally sensitive manner.

Offshore Development

As I mentioned earlier, about a third of our domestic oil and gas comes from federal resources. Most of this comes from offshore production.

Through the MMS, Interior manages the largest resources of oil and gas in the country. These are found underlying 1.76 billion acres of submerged lands on the Outer Continental Shelf (OCS). About 85% of these lands off the lower 48 states are off-limits to exploration and production through Congressional moratoria. But even so, close to 2,000 producing offshore leases contribute about 1.6 million barrels of oil and 10 billion cubic feet of natural gas *per day* for U.S. consumption, 99% of it from the Gulf of Mexico.

Technology has opened new frontiers in deep water production. Industry can now safely drill in areas once believed to be impossible. Thirty years ago, 600 feet was considered deep water drilling; today, 10,000 feet is possible. Consequently, deepwater oil production has increased 840% since 1992.

MMS has released a new assessment of OCS resources -- we estimate there are 86 billion barrels of oil and 420 Tcf of natural gas remaining to be discovered offshore. The problem is that most of it is not accessible.

Opening more of the OCS to energy development is an issue that is also being considered in the Senate right now. The Deep Ocean Energy Resources Act of 2006 passed the House last month. The bill significantly expands offshore areas for development.

And while we are debating about where and how much we will allow off-shore, Cuba is busy working with China and India on offshore leasing plans that would put oil platforms 50 miles off Florida's coast. So Floridians will have drilling off their coast – it just won't be American. That oil and gas will go to foreign shores, instead of helping here at home.

I understand the sensitivity of coastal states to development. No one wants to jeopardize a thriving tourist industry or harm our beaches in any way. But modern offshore development is safe and clean.

This was really put to the test last year with the violent hurricane season. While there was horrific destruction onshore, and a lot of damaged infrastructure offshore, we learned that development on the Outer Continental Shelf is indeed being managed safely.

Of the more than 4,000 platforms in the Gulf, 113 were destroyed and 52 were damaged, but there were no fatalities among offshore workers, and there were no significant spills from offshore wells.

We will continue to test new technological advancements to make energy exploration and development as safe and environmentally friendly as it can be. This is a job we never consider "finished," because new technology continues to help us improve.

The impacts of the hurricanes on our energy supply last year sent a clear message to all Americans – offshore energy production matters. What we previously took for granted is suddenly appreciated. It also sent another message – we must expand our production areas. We cannot have most of our energy production coming from the Gulf of Mexico. That is why we continue to look to other areas for development, offshore and onshore as well.

Onshore

In the West, five Rocky Mountains basins contain enough natural gas to heat 55 million homes for almost 30 years (an estimated 139 Tcf of gas).

As far as oil is concerned, these same lands are estimated to hold more than 3.5 billion barrels of oil. More than half of these lands are under BLM management.

Alaska holds the Nation's single greatest prospect for onshore oil development in the near term. The Arctic National Wildlife Refuge (or ANWR), holds an estimated 10.4 billion barrels of technically recoverable oil. Currently, it is not being developed, but that may change. If it is approved for development, we will require the most advanced technology and know-how to minimize environmental impacts.

And to put it into perspective, a relatively small proportion of federal lands is even affected by energy development. BLM manages 700 million acres of subsurface mineral estate. Less than 12 million acres (or 1.7% of the 700 million acres) are "producing," and only about 390,000 acres (less than one tenth of one percent of the 700 million acres) are directly disturbed by development.

Energy Production Benefits

When we produce energy at home, we not only have a more secure supply of energy, we add jobs to local communities and billions of dollars in royalty payments to Federal and State governments. This money ultimately goes to the American people.

MMS collects these monies and redistributes them to the state where the minerals are produced. Last year, MMS collected about $10 billion. The onshore states receive 50% of royalties from public lands but coastal states receive almost insignificant amounts from federal waters. A lively debate is taking place in Congress right now about whether to share federal water revenues with coastal states.

These revenues come back to Americans in a number of ways - through U.S. Treasury funds, State revenues, Land and Water Conservation Funds and Historic Preservation Fund projects.

New Hampshire is not an energy-producing state and does not receive royalty revenues. But New Hampshire benefits from off shore energy development through the Land and Water Conservation Fund which comes from offshore energy production. Nearly a million dollars in Federal grant money went to your state last year. This money is used to improve parks and recreational areas in New Hampshire.

Importance of Energy to Businesses

I spoke earlier about energy demand in our homes and offices. But now I'd like to address our dependence on energy as a feedstock, or raw material. Many people do not realize that natural gas is used to make a number of everyday products - such as plastics, fertilizer, carpets, tires, even paper cups.

Ten years ago, natural gas was not in very high demand; now it is. Demand is high, supply is tight, and prices have skyrocketed. Economic survival can become very difficult if your business plan is built on paying $2 an MMBTU, but you end up paying three times that, or more.

Investments in chemical plants and other industries are moving from the U.S. to overseas markets where natural gas is cheaper. More than 3 million high-wage manufacturing jobs have been lost in this country since 2000 because of high natural gas prices. It used to be, companies moved overseas in search of cheap labor. Now, increasingly, it is for cheaper natural gas.

The U.S. forest products industry has been particularly hard hit – energy costs for pulp and paper mills have risen 50% in three years. This industry has closed 232 mills and lost 182,000 jobs since 2000. Schools, local governments and hospitals are affected.

High natural gas prices affect everyone, as costs are ultimately passed down to consumers. At the same time, high gasoline prices, which reflect the high price of oil, hurt businesses and families alike.

We need the political will to open access to the energy resources that are closed to exploration, particularly in offshore areas, to ease the pain of these difficult situations. We have clearly demonstrated that such exploration and development can be accomplished safely, and in an environmentally sensitive manner.

Conclusion

Every place on earth has a beauty of its own. Some areas are so beautiful and sensitive that any level of risk is unacceptable. That's why we have wilderness areas, national parks and other specially designated areas. But if too many areas are inaccessible to energy production, our economy will be severely constrained and we will continue to lose jobs to foreign countries.

The key is to find the right balance. That is what the President meant when he said, "The truth is, energy production and environmental protection are not competing priorities. They are dual aspects of a single purpose...to live well and wisely upon the Earth."

Thank you.