Admiral James D. Watkins, Ret.
Chairman
U.S. Commission on Ocean Policy
1120 20th Street, NW
Suite 200 North
Washington, DC 20036

May 30, 2002

Dear Admiral Watkins:

Attached you will find responses to the U.S. Commission on Ocean Policy's follow-up questions to my testimony before the Commission on March 8, 2002 in New Orleans. It was an honor to appear before the Commission, and to aid in its important work. We have done our best to provide opinions and recommendations to the Commission that reflect consensus views of those involved in the U.S. offshore energy industry.

Please see the attached document for a detailed response to each of the questions posed by the Commission. Also, please do not hesitate to contact me for any additional supporting information, or with any further requests or inquiries.

Sincerely,

Sandra Fury

Why does the oil and gas industry have such a hard time connecting with the American people? Just about all of us use and need oil and gas resources yet there seems to be a disconnect somewhere — we use and need these resources, but we are adverse to their development, especially in new areas. Is there anything that can be done to bring things into the proper perspective so that we don't get caught unprepared somewhere down the road?

There are many possible reasons for the disconnect between industry and the consumer. Perhaps one of the most fundamental reasons is the prevailing lack of knowledge about energy: what it is, where it comes from, and what our alternatives are. Energy issues are complex and media coverage can be incomplete and misleading. To further complicate the question, environmental and economic pressures continue to grow while geopolitical events continue to make volatility in price, supply and demand a hallmark of the world energy markets.

Industry and government must work together to demonstrate that energy production does not compromise environmental quality. On the contrary, contemporary energy production techniques represent vast improvements with respect to environmental sensitivity beyond any achieved in times past — and these techniques protect the environment while simultaneously enhancing our quality of life. It is imperative that we place the true facts regarding energy and the environment before the American people so that we can fashion a truly forward thinking energy policy. As President George W. Bush recently stated, "America must have an energy policy that plans for the future, but meets the needs of today. I believe we can develop our natural resources and protect our environment."

The Administration's May 2001 National Energy Policy establishes the following basic principles, which should be the foundation for the Commission's recommendations relative to OCS energy resources. The Commission has a unique opportunity to focus America's citizens and political leaders on these clear directions and critical choices in ocean and coastal resource policy. These principles are as applicable to a successful national ocean policy as they are to a successful national energy policy.

• "The Policy is a long-term, comprehensive strategy. Our energy crisis has been years in the making, and will take years to put fully behind us." Citizens of our coastal communities and states, and their elected representatives, recognize the need for domestic energy supplies and the problems caused by the leasing and drilling moratoria. As things currently stand, less than 20% of the federal OCS is open to offshore energy exploration and development — either currently under lease or scheduled for lease sales through the next five-year plan. We must move away from these self-defeating moratoria on natural resources and toward the sound management of our nation's energy needs and supply.

• "The Policy will advance new, environmentally friendly technologies to increase energy supplies and encourage cleaner, more efficient energy use." Citizens of our coastal communities and states, and their elected representatives, need to understand the true environmental, economic and societal effects, impacts and consequences of OCS energy development. Industry, too, must do its part to demonstrate that the new technological advances in drilling allow it to

develop needed domestic supplies in an environmentally sensitive manner. In the same decade that we have seen phenomenal advances in offshore technology, the barriers to offshore oil and natural gas exploration have actually increased. We hope that the growing technological potential will motivate our policymakers to identify and recommend policies that will remove barriers to access and the development of offshore energy supplies.

• "The Policy seeks to raise the living standards of the American people, recognizing that to do so our country must fully integrate its energy, environmental, and economic policies." This requires the citizens of our coastal communities and states, and their elected representatives, to recognize that America's OCS resources, and the promise of American living standards, belong to all Americans. It requires the federal government leadership to implement a U.S. energy policy that takes a balanced approach to natural resource use, conservation, and preservation. Our ocean and coastal policy must recognize that citizens are also resources; an educated public may be our most valuable ocean and coastal resource.

Other than the State of Florida, have you seen any other issues with federal consistency in the Gulf States?

As discussed in our written and verbal testimony, the Gulf-wide record of living and non-living resource management shows that the CZMA programs of Texas, Louisiana, Mississippi, and Alabama generally have successfully balanced competing resource interests, and these state programs "adequately consider" energy development as required by the CZMA. One of the CZMA deficiencies, however, is that the statute contains no rational "territorial" limits on the scope of state objections. A state should be limited to making "extraterritorial" objections on a demonstration of direct and significant impact on their own coastal zone.

Further, the record for decision-making can remain open indefinitely due to continued requests for more information — regardless of its relevance to the pending decision. Based on the following state Coastal Management Program (CMP) summaries, it is easy to see that some states have found ways to balance environmental protection with energy development. Consider the history of energy production offshore of each state, the obligation of each state CZM plan to "consider the national interest in the siting of energy facilities," and the future of energy supply and demand in each state.

In New Orleans the Commission heard extensive discussion of Louisiana's coastal wetland loss, erosion and infrastructure problems. The Louisiana Coastal Management Program gives this summary: "To ensure the environment on which its industry depends is healthy for generations, Louisiana's coastal program must turn around declining fishery habitats, such as wetlands, and reduce erosion. The coastal resources program works with parishes to design programs, which resolve conflicting local uses of the coast. Oil and gas production, seafood production, agriculture, and tourism are Louisiana's key industries."

The Texas coast faces development pressures, dredging, erosion, beach access, and wetland loss and dune protection. The General Land Office's Coastal Management Program website indicates that the Texas CMP "seeks to balance commercial and recreational activity with preservation of

its unique coastal resources. Chemical production and oil and gas exploration, processing, and refining are the state's top coastal industries. Coastal tourism, the state's second largest industry, is also important to the state's economy."

The Alabama CMP offers this description: "Alabama's coastal program balances coastal activities to ensure that the environment on which Alabama business depends remains healthy for generations to come. Alabama's coast faces wetland loss; coastal erosion; residential, commercial, port, and industrial development; population growth; and nonpoint source pollution problems. Tourism, fishing and seafood production, natural gas production, and shipping are Alabama's main coastal industries. The port of Mobile is one of the 10 busiest ports in the United States." Alabama hosts significant oil and gas production activities and literally shares Florida's Panhandle beaches and many of the same federal consistency issues.

The Mississippi CMP summary does not address energy production, but the state supports both OCS production and refining along the coast. The CMP website states, "Wetlands preservation and restoration is a key issue for Mississippi coastal management, as are dockside gambling and casinos. Construction, public access, land acquisition, and fisheries are some of the coastal activities supervised by the state agencies watching out for the state's coast. Commercial fishing and dockside casinos make the coast vital to the state's economy."

What is the industry doing to get its story of an environmental ethic, environmental programs and so forth to the public?

The American Petroleum Institute, National Ocean Industries Association, Offshore Operators Committee, and state trade groups in Alaska, California, Texas, Louisiana, Mississippi, Alabama, and Florida conduct public outreach and education oriented toward environmental stewardship activities. These activities are generally limited to coordination on an issue-specific basis, such as the consortium of associations working to provide consensus opinions and recommendations to the U.S. Commission on Ocean Policy.

The API website, http://api-ec.api.org/, contains extensive media and educational information and resources. Earlier this year API transmitted a variety of government and industry education resources to the Commission staff. The best communication document concerning the environmental impact of oil and gas operations in the Gulf is probably the 1999 API/ NOIA publication *Meeting the Environmental Challenge: Oil and Natural Gas Operations in The Gulf of Mexico*. The Commission staff has copies of this informative, annotated summary.

Industry associations and companies are active in coastal communities, sponsoring numerous local beach, marine life, wetlands and ecosystem restoration and education programs each year along the Gulf.

Industry also supports research, education and outreach efforts of the Department of the Interior/ MMS, the Department of Energy/ Energy information Agency, Department of Commerce/NOAA, and the Environmental Protection Agency Gulf of Mexico Program, the Sea Grant Program, and the Louisiana Universities Marine Consortium.

Additionally, industry supports The National Energy Education Development (NEED) Project. NEED's mission is to create networks of students, teachers, business, government and community leaders to design and deliver comprehensive, non-biased energy education curriculum and programs. NEED, as a nonprofit organization, receives funding from a variety of energy industry sectors (see www.need.org for a complete listing). NEED is a recipient of major funding from the Departments of the Interior and Energy as well as the offshore oil and natural gas industry.

What is the industry doing to repair/mitigate its historical impacts on the environment? How much does the industry spend on public education?

Industry complies with increasingly strict pollution prevention, resource conservation, and safety standards, which in some cases were adopted voluntarily. Offshore operators have incorporated a strict environmental stewardship and safe operations ethic into their daily business. Each year, responsible operators cooperate with state and federal regulators to plug abandoned wells and remediate abandoned E&P sites along the Gulf Coast. Operators and our trade associations work continuously with MMS and state regulators to increase and maintain responsible bonding, operating, environmental and safety regulations. MMS and other agencies (e.g., Coast Guard) have incorporated several API standards into their regulations by reference. This practice allows industry to preserve important safety and environmental safeguards while maintaining flexibility over offshore operations.

The oil and gas industry is constantly improving technology in all aspects of its business, yielding joint benefits in energy production and environmental protection. The 1999 Department of Energy report, *Environmental Benefits of Advanced Oil and Gas Exploration and Production Technology*, which has been provided to the Commission, discusses a variety of current exploration, production, and site remediation projects employing advanced technology to reduce environmental impacts.

A full compilation of the offshore oil and gas industry expenditures on public education has not been developed. Industry groups and individual companies have pursued a variety of issue-specific education efforts. Examples are the industry efforts to educate Florida policymakers and citizens, the current industry and MMS efforts to educate the public about mercury in OCS drilling fluid discharges, and efforts to expand the "rigs-to-reefs" program. As part of its youth education effort, the American Petroleum Institute (API) recently launched its "Energy and Society" K through 8 education program developed in partnership with the environmental education leader Project Learning Tree (PLT). This award-winning program provides educators with the tools they need to educate students and their parents about the vital role energy plays in their daily lives. (The program was recently selected to receive the Public Education award from the National Energy Resources Organization.). API's redesigned web site includes a new interactive module, "Adventures in Energy," which is designed to explain the role of energy in our lives and the exploration and production process.

As the Commission looks to the long-term future, we are interested in/concerned with the nation's ability to attract/interest young people in ocean/coastal science and leadership positions. Additionally, as you may have heard in the hearing's testimony and as we have heard throughout our regional visits, there is a great need to develop enhanced public awareness/recognition of every facet of ocean activities.

What are you or your companies doing today nationally to partner with state or federal agencies to provide information and develop local & state knowledge? Would you be willing to sponsor research, promotion campaign, share data and fund development, and leadership training?

Industry's cooperative research and education activities with state and local governments and universities provide significant support for public efforts to attract the next generation of ocean and coastal scientists and policy leaders. Many companies already sponsor high school and college scholarships, summer internships, and education grant programs that support the study of ocean science and engineering. Industry would consider supporting additional proactive science, policy and engineering education programs recommended by the Commission. The offshore energy industry continues to support improved "ocean and coastal literacy."

In your written statement, you say that "…the oil and gas industry's impact on coastal wetlands has been reduced by 90 per cent since 1982." While this is certainly laudable progress, this kind of proportional data do not present as much information as we need. More specifically, what does this 90% reduction mean? What has been reduced and how was it measured? What kinds and amounts of impacts are still occurring? What is the industry doing about the existing and very substantial impacts on wetlands and other resources from previous oil and gas exploration and production activities?

The 90% reduction refers to the acreage impacted by oil and gas access operations. During its first seven years, Louisiana's Coastal Management Division's Geologic Review Process reduced total direct impacts from new oil and natural gas operations by 90 percent. More specifically, in 1982, 767 acres per years were disturbed and in 1989, just under 77 acres per year were disturbed. Average canal lengths have decreased 79% and the total area disturbed per location has been reduced 45% in the same time period. For a complete review of the Geologic Review Process, please see the attached article by Harder et al.

Harder et al.pdf

What are the references for the statistics you presented on the sources of oil leaked into the Gulf of Mexico? How much of the shipping portion of the spilled oil is from shipping directly related to the oil industry?

The first reference is to the MMS Draft Environmental Impact Statement on Eastern Gulf of Mexico OCS Lease Sale 181, page IV-120, Table IV-43. The document referred to is not clear

on the shipping issue. The discussion of this statistic is limited to two paragraphs on page IV-119.

REQUEST: As mentioned in the "Question and Answer" session following your presentation, please provide the Commission with any reports that detail the annual quantities of oil spilled, not just percentages, at offshore oil production facilities.

The MMS publication "OCS Oil Spill Facts" uses U.S. Coast Guard data and MMS data and states that between 1985 and 2000, 6.3 billion barrels of oil were produced in federal offshore waters with less than 0.001 percent spilled – a 99.999 percent record for clean operations. Actually, our record is even more impressive but is obscured by MMS's rounding of the data. Since 1985, OCS operators have produced over 6.3 billion barrels of oil but have spilled less than only 67,500 barrels. This yields a spill rate of 0.00001.


FinalOCS2000.pdf


Offstats_Aug16.pdf

According to data from MMS, in 1999, there were a total of 3,948 bbl of oil spilled due to OCS operations; 707 bbls of oil were spilled from platforms, the rest was from pipelines. In 2000, there were a total of 2,571 bbl of oil spilled due to OCS operations; only 323 bbl of the total were from platforms (Cheryl Anderson, personal communication, 8/10/01).

Attached are two other MMS publications concerning oil spill statistics.


FinalOCS2000.pdf


Offstats_Aug16.pdf

REQUEST: As mentioned in the "Question and Answer" session following your presentation, please provide the Commission any research or studies on the "aggregation vs. production" question relating to rigs as artificial reefs.

[Response from Dr. Ed Chesney, Louisiana Universities Marine Consortium, 8124 Hwy 56, Chauvin, LA 70344 504 851-2800 echesney@lumcon.edu]

As with many issues related to natural systems there is no simple answer to this question. The answer is a subject of debate among scientists. It is well know that both natural and manmade structures in the sea such as natural and artificial reefs, floating debris, and FAD's (Fish Aggregating Devices) attract fish and that fish can be aggregated within hours around living and inanimate objects. We also know that objects placed in the water that remain there for a significant period of time are eventually colonized by autotrophic and heterotrophic organisms that can serve as food for fish providing the possibility of both augmenting and possibly increasing natural production. Some studies of the benefits of adding habitat to production of

fishes show that the benefits to overall production are often very limited in aquatic systems (see Moffitt et al 1989; Smokorowski et al. 1998).

The primary effect or long-term benefit of adding an artificial structure to a coastal offshore habitat, such as in coastal Louisiana, is that you are adding a type of habitat that is in short supply in the offshore environment. The chief benefit is that it adds habitat that is needed by a particular group of fishes (reef fishes) and thus increases the habitat diversity and diversity of fishes and other organisms in the coastal zone. If the species aggregated by artificial reefs happen to be especially desirable as food or the reef provides easily identified location for fishing, that is a clear benefit to mankind. A secondary benefit may accrue in the form of increased overall fish production, if the structure provides a habitat that can enhance primary production in a way that ultimately benefits fishes or if the primary production that already exists in the area is utilized more efficiently within the ecosystem, thus bolstering overall production.


artificialreefs.htm


fishproduction.htm

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