The Honorable Albert C. Pollard, Jr
Mollusk, VA 22517

Testimony
Before the Subcommittee on Energy and Mineral Resources of the Committee on Natural Resources
United States House of Representatives

Oversight Hearing on the Minerals Management Service's Proposed Five Year Program for Oil and Gas Leasing for Years 2007-2012
June 28, 2007

Mr. Chairman and Honorable Members of the Committee:

Thank you for the opportunity to speak on the important subject of the removal of the ban on leases for oil and gas drilling on the Outer Continental Shelf (OCS) off of the Virginia Coast.

My name is Albert Pollard and I am speaking to you with several different hats. I have been a former Virginia legislator, and was also, until recently, Chairman of the Board of a small glass imprinting business with heavy reliance on gas fired industrial ovens.

As a formerly elected official, I subscribed to the common law theory of "The Public Trust Doctrine". The Public Trust Doctrine holds forth the idea that Natural Resources of this country are held in trust by the government for the use, maintenance and enjoyment of all the public. In this theory, you, the elected officials are trustees – just as one is a trustee in a fiduciary sense – of the Natural Resources.

As trustees, your job is to balance the competing interests and to do what is right for those natural resources.

Now, I am a reasonable person and I realize that these are complex issues. As a reasonable person, I can't sit here and tell you that opening of the OCS for exploratory drilling leads to an immediate danger to the Virginia coast, and that an Exxon Valdez type scenario is as sure as the fact that the sun will rise in the morning.

However, after having made an extensive study of the evidence, it is clear to me that this proposal to open up Virginia's coast to oil and gas exploration is misguided. In short, opening up the OCS off the Virginia coast for exploratory drilling will do almost nothing to resolve the energy crisis in this country but could create a significant environmental crisis along the Virginia coast.

And, let's face, this proposal is not only about exploratory drilling for gas as Virginia Governor Kaine recently wrote in a February 2007 letter to MMS. Lifting this moratorium is about production scale drilling for oil and gas off the Virginia Coast. The reality is that there is no practical difference between oil and gas exploration, nor is there any significant likelihood that if oil is found, it will not be exploited.

The reality also is that this proposal won't do anything at all to solve our near-term energy crisis because, based on the Environmental Impact Statement it is likely that, two five year leases will be required just for exploration before the lease-holder has any prospect of extraction. Thus, more than likely, Virginians are looking beyond the year 2020 before any possible benefit from this action could take place in terms of more product flow.

In other words, price relief from this drilling, if any, would come at a time when natural gas prices are expected to level off anyway. As was stated recently by the USG Energy Information Administration

"Total U.S. natural gas consumption is forecasted to increase from 22.2 trillion cubic feet in 2005 to 26.1 trillion cubic feet in 2030. Most of the increase is seen before 2020, when total U.S. natural gas consumption reaches 26.3 trillion cubic feet."

With all of its supply and demand information, DOE's National Energy Model Modeling System (NEMS) predicted that the price of natural gas would be $3.26 per thousand cubic feet in 2020 without the gas under moratorium and $3.22 per thousand, or four (4) cents less with access to the additional gas in moratoria areas. This is a predicted price drop of a 1.2 percent.

This is hardly major or even significant price relief.

To the extent this is price relief, it would certainly be drowned out by the marketplace, normal fluctuations, or catastrophic events such as Hurricane Katrina or a sustained violence in the Middle East. These events clearly have more effect on prices than an addition of 5 trillion cubic feet of technically recoverable resources.

As the former chairman of a small manufacturing company, I can say that industry in this country must retool and find new solutions to rising energy costs before the year 2020 when new energy might – just might – come on line from this proposal.

Indeed, in my previous industry sector, the glass imprinting business, there might not even be any gas fired ovens soon – this is an idea unthinkable not too many years ago. Our industry has traditionally fired on wax based inks at around 1100 degrees to create a high quality product which is durable and permanent. In our business model after Costs of Goods Sold and labor, gas was the third highest expense.

However, there is promising new technology which could save significant money. This technology is ink which is cured by exposure to ultra-violet light. Thus, one whole industry segment may soon remove gas from the expense side of its ledger.

Another local company which isn't waiting around for government solutions is Potomac Supply, a local, privately owned wood products business located in my old legislative district. As all folks in the wood drying business, Potomac Supply was having great pressure from rising energy costs.

This family owned company was a large user of liquid petroleum gas in its wood drying kilns. Potomac Supply's solution? This company just brought online two state of the art wood chip fired kilns which are now saving 1.2 million gallons of propane and over $1,000,000 per year.

To me, however, the most significant part of the whole Potomac Supply experience is that whole idea was only conceived of at a conference in Stockholm Sweden some 16 months ago. In a mere 16 months, this company has implemented a new, renewable, fuel which is cutting edge, environmentally friendly and reliable.

But, it is important to remember that new fuels aren't the only way to lower our dependence on non-renewable resources.

In business, a dollar saved is a dollar earned. The same is true with conservation. Energy saved is as good as – better really – than energy tapped.

It is estimated that an annual inspection of a home natural gas heating system – which costs $50-100 -- can help reduce natural gas use in that system by up to five percent.

Another example of saving consumption? According to recent Congressional testimony from the Sierra Club, "By 2017, the renewable energy standards already enacted by states such as New Mexico, California and Texas will produce as much renewable energy as would be produced by gas fired power plants using 0.6 trillion cubic feet of gas per year."

Compare these very safe alternatives which have certainty to the opening of drilling off the Virginia coast which contains much uncertainty and doesn't meet current Virginia law.

Doesn't Meet Law

The Proposed Final Program Outer Continental Shelf Oil and Gas Leasing Program, released in April 2007 by the Department of Mineral Management Service makes a grievous error, which seems technical in nature, but is in fact very important

On page 6 of the PFP, there is the mistaken notion that the Commonwealth "as called for in Virginia's legislated energy policy" requests a 50 mile buffer off the Virginia coasts. This is consistent with a general perception that the Energy Policy passed by the General Assembly of the Commonwealth of Virginia, of which I am a former member, encourages offshore exploration of oil and gas.

In fact, no such request takes place in Virginia's energy policy and any drilling off the Virginia coast is contrary to Virginia's Energy Policy as passed by the General Assembly. This policy is enumerated in 12 points in Sub-section A of § 67-102 of the Code of Virginia.

The only mention of drilling is in point number 12 of the aforementioned section:

12. [the policy shall] Ensure that energy generation and delivery systems that may be approved for development in the Commonwealth, including liquefied natural gas and related delivery and storage systems, should be located so as to minimize impacts to pristine natural areas and other significant onshore natural resources, and as near to compatible development as possible.

In fact, subsection C of Section 67-102 states that *"All agencies and political subdivisions of the Commonwealth, in taking discretionary action with regard to energy issues, shall recognize the elements of the Commonwealth Energy Policy and where appropriate, shall act in a manner consistent therewith."*

Clearly, inclusion of proposed lease sales off coastal Virginia cannot be justified on the basis of Virginia law.

While it is true that Virginia's Energy Plan, adopted in 2006, does call for limited exploratory, natural gas drilling, this Plan is wholly incompatible with the stated goals in the Policy which precedes it in the Virginia Code and should not be used as the justification for the Mineral Management Service's proposal.

Uncertainty in a pristine area.

The Virginia coast – particularly the islands off of Virginia's Eastern Shore -- is a pristine area in which millions of private and governmental dollars have been spent as to preserve an area ecologically significant enough to be a part of the United Nations Bioreserve program.

Let's look at the facts:

- Virginia's coast represents the largest, most intact coastal wilderness on the East Coast of the United States, with over 75 miles of undeveloped coastline and thousands of acres of undeveloped barriers islands and tidal marshes.

- All of the coast's barrier islands are under conservation ownership and management and, they total well over 60,000 acres.

- The ecological significance of Virginia's coastline has brought a number of superior designations to this part of the eastern seaboard. Namely, Virginia's protected coastline is a:
    1. United Nations International Man and the Biosphere Reserve.
    2. U.S. Department of the Interior National Natural Landmark.
    3. National Science Foundation Long Term Ecological Research Site.
    4. Western Hemisphere International Shorebird Reserve Network Site.

- Biologically, Virginia's coast is best known for its great abundance and diversity of bird species, including several listed species and many species of concern or special interest. The federally endangered piping plover nests on the barrier islands.

- Barrier islands, along with the coastal estuarine lagoon system, provide globally important stopover habitat for up to 24 species of migratory shorebirds during the spring, fall, and winter

- The coastal salt marshes and barrier islands provide nesting habitat for 90 percent of Virginia's colonial waterbirds, including skimmers, terns, and egrets.

- The barrier island and coastal lagoon tidal wetlands provide important and varied habitat for resident and migratory waterfowl, including key populations of American black duck, greater snow geese, and Atlantic brant.

- Nearshore and intertidal waters also provide important habitat for several species of threatened and endangered sea turtles.

- Last, but not least, this area supports the largest hard clam aquaculture industry on the Atlantic coast.

As previously mentioned Virginia's energy policy specifically states that energy generation and delivery systems be "located so as to minimize impacts to pristine natural areas and other significant onshore natural resources".

Having drilling – exploratory or otherwise -- within one good tide flow of this area is clearly in contrast with Virginia law as stated forth in Virginia's Energy Policy. Spills, substantial mud plumes, underwater seismic activity and drilling all contribute to the uncertainty of the future of the area and have all been well documented in the past.

Let me reassert the fact that there is no known instance in which one can look for natural gas and not look for oil. It is also impractical to think that if oil is found, it will not be exploited. The proposal that is before you, therefore, is about oil extraction, not just natural gas exploration. Oil extraction and transport leads to frequent small spills, and an occasional large one.

Indeed, the Environmental Impact Statement associated with the 5-year plan assumes an eventual 1,500 barrel spill from a tanker or barge. Depending on where the spill took place, it could have an enormous impact on Virginia's pristine natural coast. Even at the distance of 50 miles, which provides some degree of protection, oceanographers say that a persistent east or southeasterly wind could drive the spill from 50 miles offshore within 4 days for a wind of 20 mph and within 8 days for a wind of 10 mph. Such winds are not unusual, especially in the early fall.

Moreover, if oil spill degradation products sink, they then may be carried shoreward by the onshore flow along the bottom. If these degradation products reach the vicinity of Chesapeake Bay entrance, they will be drawn into the Bay with the lower-layer inflow. The area of influence of this inflow can reach 20 miles offshore of the Bay entrance. That means that a tanker or other spill within 20 miles could be drawn into the Bay, and enter the slow circulation pattern of Bay waters, with damage occurring along the Bay's beaches in addition to the coastal beaches.

The potential damage to the pristine areas of the Virginia shore, the world-famous Virginia Beach, and the shores of the Chesapeake Bay is just too great a risk for the small amount of benefit that the proposal would bring.

So in conclusion, let me say that: based on the Virginia Energy Policy as passed by the General Assembly; based on the minimal impact that gas and oil exploration would have on energy supply or energy prices; based on the lack of need for this action, and; based on the unacceptable risk to Virginia in case of a spill, it is my view that section of the Mineral Management Service's 5-year plan that would open up to Coastal Virginia to exploration is misguided.

I urge Congress to continue the moratorium and ensure that the Virginia aspects of this plan are not enacted.

Thank you.