RSC Republican Study Committee

Rep. Jim Jordan (R-OH), Chairman
Paul Teller, Executive Director
1524 Longworth House Office Bldg.
Washington, D.C. 20515

RSC.JORDAN.HOUSE.GOV ph. (202) 226-9717 / fax (202) 226-1633

Legislative Bulletin…………………………………..………May 5, 2011

Contents:

H.R. 1230—Restarting American Offshore Leasing Now Act (Rep. Hastings, R-WA)

Order of Business: The bill is scheduled to be considered on Thursday, May 5, 2011, under a structured rule (H.Res.245) that allows for consideration of both H.R. 1230 and H.R. 1229. The rule allows for one hour of debate for each bill, the consideration of 13 amendments made in order under the rule, and allows for one motion to recommit for each bill.

Summary: H.R. 1230 would establish statutory deadlines that require the Secretary of the Interior to conduct four lease sales originally established under the 2007-2012 five-year plan in the Gulf of Mexico and offshore Virginia. The original plan enacted under the Bush Administration included these three lease sales, but they have been delayed or cancelled under the Obama Administration. Specifically, the bill requires the Secretary to:

- ***Conduct Proposed Lease Sale 216 in the Central Gulf of Mexico:*** Requires the lease sale to occur within four months of enactment and considers the Environmental Impact Statement established under the five-year plan enough to satisfy the requirements of the National Environmental Policy Act.

- ***Conduct Proposed Lease Sale 218 in the Western Gulf of Mexico:*** Requires the lease sale to occur within eight months of enactment and considers the Environmental Impact Statement established under the five-year plan enough to satisfy the requirements of the National Environmental Policy Act.

- ***Conduct Proposed Lease Sale 220 on the OCS Offshore Virginia:*** Requires the lease sale to occur within one year of enactment and allows the President, through Secretary of Defense, to prohibit drilling activity on that tract would create an unreasonable conflict with military operations.

- ***Conduct Proposed Lease Sale 222 in the Central Gulf of Mexico:*** Requires the lease sale to occur by June 1, 2012, and considers the Environmental Impact Statement established under the five-year plan enough to satisfy the requirements of the National Environmental Policy Act.

<u>Additional Background</u>: H.R. 1230 is the first of three bills the House will be considering as part of the launch of the Speaker's American Energy Initiative. The Outer Continental Shelf Lands Act (OCSLA) provides the structure and rules for offshore oil and natural gas exploration, leasing, and development in federal waters.

Every five years, the Interior Department creates a five-year program to govern the leasing of the federally controlled Outer Continental Shelf for drilling purposes and meeting environmental requirements. The Outer Continental Shelf is divided into four regions (Alaska, Atlantic, Gulf of Mexico, and Pacific) which each contain numerous "planning areas." If a planning area is included by the Interior Department in the leasing program, the Department will offer portions of that area for lease to the oil and gas industry in a lease sale, held as scheduled in the five-year program. A detailed chart of the process is available here.

2007-2012 OCS Leasing Program

The Outer Continental Shelf (OCS) Leasing Program for 2007-2012, originally approved by the Bush Administration in early 2007, expanded the number of available planning areas for lease sales in the Gulf of Mexico and Alaskan waters and opened a new area for leases off the shore of Virginia. It was immediately challenged by the Center for Biological Diversity, and, in 2009, the DC Circuit Court of Appeals ordered the Interior Department to revise the entire leasing program because it found the program's environmental analysis insufficient. The Interior Secretary appointed by President Obama, Ken Salazar, conducted new environmental analyses and announced a revised program on March 31st 2010. This new program retained the expanded and new planning areas in the Gulf of Mexico and off the coast of Virginia, but closed off all of the newly opened planning areas in Alaska. After the Deepwater Horizon spill in April 2010, Secretary Salazar suspended all OCS lease sales, and released a further-revised program in December 2010. This final program closed the proposed planning area in Virginia and one of the lease areas in the Gulf of Mexico. These revisions and the Administration's actions since the spill have allowed only 5 of the 15 lease sales originally scheduled during the Obama Administration to occur or remain on the schedule through 2012. Each of those cancellations has a tremendous cost of lost potential jobs and revenues; the first five lease sales held under the program brought over $9 billion in immediate revenue alone.

Gulf of Mexico Sales

The 2007-2012 Leasing Program originally scheduled annual lease sales for the central and western planning areas of the Gulf of Mexico (map available here), in March and August of each year respectively . Lease Sale #218 is the final sale expected in the western planning area and was originally scheduled to occur in 2011, and Lease Sale #222 was the final sale expected in the central planning area and is scheduled to occur in 2012. However, after the Deepwater Horizon spill, the Obama Administration has required the Bureau of Ocean Energy Management (BOEM) to prepare a final Supplemental Environmental Impact Statement before lease sales can proceed in the Gulf of Mexico. This process has forced a lease sale from March 2011, #216, for the central planning area to be postponed a year and merged with the later Sale #222. According to a BOEM timeline, a final Impact Statement will not be released until December 2011, which would require at a minimum that Lease Sale #218 be postponed to 2012, and could delay Lease Sale #222. The Administration has already cancelled or postponed two lease sales in the Gulf since the spill, and continued foot-dragging by the Administration would make 2011 the first year since 1965 without a single lease sale in the Gulf of Mexico.

Lease Sale #220 – Mid-Atlantic (Virginia Sale)

The 2007-2012 Leasing Plan proposed opening a new planning area (map) for lease sales in the Mid-Atlantic off the coast of Virginia and North Carolina which was estimated to contain 130 million barrels of oil and 1.14 trillion cubic feet of natural gas. Although the Obama Administration initially accepted the Bush Administration's plans for the initial sale, #220, to be held in 2011, President Obama announced the cancellation of the proposed sale after the Deepwater Horizon Spill. This was done in spite of the near $19.5 billion in revenue to federal, state, and local governments that ICF International estimated would be generated by developing the resources off the coast of Virginia.

Committee Action: The bill was introduced on March 29, 2011, and referred to the Committee on Natural Resources. On April 23, 2011, the full Committee held a mark-up and ordered the bill to be reported by a vote of 29-14.

Administration Position: A Statement of Administration Policy is not available at press time.

Cost to Taxpayers: According to CBO, "CBO estimates that enacting this legislation would reduce net *direct spending* by $25 million over the 2011-2016 period and about $40 million over the 2011-2021 period."

Additionally, "CBO estimates that DOI would spend about $2 million over the 2012-2016 period to complete the necessary environmental and other assessments necessary to conduct the Virginia lease sale, assuming the availability of appropriated funds."

Does the Bill Expand the Size and Scope of the Federal Government? No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates? No.

Does the Bill Contain Any Federal Encroachment into State or Local Authority in Potential Violation of the 10th Amendment? No.

Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits? According to Committee Report 112-68, the bill "does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined under clause 9(e), 9(f), and 9(g) of rule XXI of the Rules of the House of Representatives."

Constitutional Authority: Article IV, Section 3, of the United States Constitution allows for consideration of H.R. 1230.

"The Congress shall have Power to dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States; and nothing in this Constitution shall be so construed as to Prejudice any Claims of the United States, or of any particular State."

Outside Organizations in Support the Bill: (Courtesy of Resources Committee)
U.S. Chamber, ATR, NTU, Americans for Prosperity, CAGW, ALG, NFIB, 60 Plus Association, American Trucking Association, National ocean Industries Association, Offshore Marine Services Association, Shallow Water Energy Coalition.

RSC Staff Contact: Bruce F. Miller, Bruce.Miller@mail.house.gov, (202)-226-9717.