RSC
Republican Study Committee

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Legislative Bulletin……………………………….………June 22, 2011

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H.R. 2021—Jobs and Energy Permitting Act (Rep. Gardner, R-CO)

Key Take Away Points on Obama Energy Policy

- ***Driving Up the Cost of Gas:*** The Obama Administration's energy policy artificially increases the cost of traditional forms of energy, driving up its price in order to make "green" alternatives more cost-competitive to consumers. America has abundant, affordable sources of energy which have been an integral part of our comparative advantage over other nations. Politicians should not be driving up the cost of energy for artificial reasons. A study published last year concluded that meeting EPA targets for greenhouse gas emissions would require a gasoline price of $7-9 a gallon.

- ***Denying Drilling:*** For five years, the Environmental Appeals Board of the EPA has denied permits to conduct exploratory drilling on the Alaskan Outer Continental Shelf based on the Clean Air Act - despite being approved by EPA regional offices. Even the President's own Oil Spill Commission found that an EPA imposed moratorium on development in the Arctic is not justified.

Order of Business: The bill is expected to be considered on Wednesday June 22, 2011, under a structured rule.

Summary: The bill amends section 328 of the Clean Air Act (CAA), as it relates the regulation of air quality from energy production on the Outer Continental Shelf of the Arctic, by requiring air emissions to be evaluated onshore, and defines servicing vessels used offshore as a stationary source (fixed-site producer) once production begins. Additionally, the bill also amends the CAA to require a decision on permit agency applications from platform or drill ship exploration for an OCS source to occur within six months, prohibits the EPA's Environmental Appeals Board from having authority to have consideration of a permit, and judicial review over agency actions must be considered applicable under section 307(b) of the Clean Air Act, which would direct all permit challenges directly to the DC Circuit Court of Appeals.

Additional Background: Facing gas prices averaging over four dollars a gallon, last month President Obama attempt to convince he was open to producing American made energy, by announcing he would direct the Department of Interior to conduct annual lease sales in Alaska's National Petroleum Reserve. While additional lease sales are beneficial, the problem is leased parcels of the Alaska's OCS already exist and the Environmental Protection Agency is purposely stalling the permitting process to prevent production from occurring - leaving the leases useless. So the Department of Interior can conduct all the lease sales it wants, but without the approval of the EPA, American's will continue to see astronomical gas prices because no additional production is occurring in Alaska. Unlike exploration projects in the Western and Central Gulf of Mexico where the Interior Department is responsible for granting air permits, projects in Alaska, the Eastern Gulf of Mexico and Pacific and Atlantic coasts require approval from EPA under the CAA.

Shell Oil, in anticipation of drilling on some of its leases in Alaska's coastal waters, has already invested $3 billion and yet to receive a permit for a fully operational well. Although Royal Dutch Shell paid the U.S. government $2.2 billion in 2005 for leases to explore for oil in an Arctic region estimated to have billions of barrels of oil, the EPA has refused to issue necessary permits and has suspended the permitting process. This delay will cost 800 direct jobs and millions of dollars in additional contracts and investment.

The Alaskan Shelf potentially holds the largest undiscovered oil and natural gas reserves in the United States. The Beaufort Sea is estimated to hold as many as 8 billion barrels of oil and as much as 27 trillion cubic feet (566 billion cubic meters) of natural gas, according to the Congressional Research Service. Additionally, the Chukchi Sea may hold as many as 15 billion barrels of crude and as much as 76 trillion cubic feet of natural gas. Combined, these reserves could offset foreign oil imports by 7 percent according to the University of Alaska. The reserves could have the potential to also refill the Alaskan pipeline and increase domestic supply in the continental United States.

The Trans-Alaska Pipeline System was constructed in the 1970s to transport oil from oil fields in Alaska's North Slope to the nearest ice-free port, Valdez, some 800 miles south. The 48 inch diameter pipeline was designed to support a volume of 2 million barrels daily, but due to restrictions on oil production, daily volume today has dropped from a peak of 2.1 million barrels daily in 1988 to approximately 650,000 barrels a day currently. This drop in volume has serious repercussions, as lower volumes of oil cool while traveling the pipeline at a slower rate and clog and corrode the pipeline. The volume is projected to drop further to 500,000 barrels daily in 2015, the minimum volume at which the pipeline is viable. If the pipeline ceases to be viable, Alaska is required by law to dismantle the pipeline entirely and wipe away any trace of its existence, destroying the economic benefits of the pipeline for future generations. Unfortunately, there is little oil remaining in state-controlled fields in Alaska to produce and use to extend the pipeline's life; any new oil will need to be produced offshore in regions in areas controlled by the federal government. The Chukchi and Beaufort Seas hold 30 billion barrels of oil, National Petroleum Reserve Alaska holds 15 billion barrels, and the Arctic National Wildlife Refuge holds up to 16 billion barrels; this is more than enough oil to maintain volume in the pipeline for years into the future. However, the Obama Administration has continued to prevent the issuance of necessary permits for exploration, infrastructure, and production in Alaska, which is endangering the job-sustaining Trans-Alaska Pipeline System and the revenues it brings both Alaska and the federal government.

For additional background on gas prices, oil, and President Obama's job killing energy policies, click here for an RSC Policy Brief; All about Gas.

Committee Action: The bill was introduced on May 26, 2011, and referred to the Committee on Energy and Commerce. On June 1, 2011, the full Committee held a mark-up and ordered the bill to be reported favorably by a vote of 34-14.

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

Cost to Taxpayers: According to CBO, based on information from the EPA, the bill would not have a significant impact on the federal budget.

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?: Committee Report 112-108 states H.R. is 2021 in compliance with clause 9(e), 9(f), and 9(g) of rule XXI, and contains no earmarks, limited tax benefits, or limited tariff benefits.

Constitutional Authority: The Congressional Record sites the Commerce Clause, Article I, Section 8, Clause 3 (commerce) of the Constitution to enact H.R 2021.

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