



## THE UNITED STATES TRAVEL AND TOURISM ADVISORY BOARD

September 14, 2011

The Honorable Rebecca Blank  
U.S. Department of Commerce  
1401 Constitution Avenue NW  
Washington, DC 20230

Dear Dr. Blank:

Through this letter, we respectfully submit the United States Travel and Tourism Advisory Board's recommendations regarding energy policy. We have worked closely with Securing America's Future Energy (SAFE), a non-partisan organization dedicated to reducing America's dependence on oil by educating policymakers and advocating for comprehensive energy reform. We are grateful for their thoughtful assistance in helping us craft these proposals.

We understand that the Department of Commerce is not in a position to act unilaterally to achieve the recommendations contained in this letter. In most cases, the required actions will necessitate the involvement of many actors in both the Executive and Legislative branches of our government. Given the core interests of the Department of Commerce in a robust economy and a thriving travel and tourism sector, it is vital that the Secretary of Commerce demonstrate leadership through articulating and facilitating the achievement of these recommendations.

While our board's tenure expires at the end of this month, we hope that the recommendations we previously made to Secretary Locke and those which we make to you today will be carefully considered and acted upon wherever possible. We applaud the Department's commitment to strengthening the travel and tourism industry, which as you know makes an enormous ongoing contribution to the U.S. economy and its competitiveness.

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Access to stable and affordable energy supplies is critical to the health of the travel and tourism industry and to the millions of people it serves. From airlines, cruise lines, rental car companies, and other transportation-related service providers, to hotels, attractions, parks, and restaurants, the stable supply of energy at a predictable price is essentially the definition of energy security. Unfortunately, high and volatile oil prices experienced in recent years have meant that substantial portions of our industry—and the country as a whole—do not have energy security today.

High transportation fuel prices increase industry-wide operating costs and reduce revenue and jobs, while volatile fuel prices put enormous strain on operational planning. The productivity of U.S. business and government suffers as meetings, interviews, conferences, deployments and site visits become impractical or impossible because of service and capacity cutbacks in direct response to high and volatile fuel prices. Moreover, beyond the direct impact that oil price volatility can have on our industry, the current vulnerability of the broader U.S. economy to oil price shocks has strongly contributed to the extended period of reduced economic growth that began in 2007, weakening a wide range of American industries and economic sectors.

According to *The New York Times*, after oil prices spiked to \$147 per barrel in 2008, more than 200 small and medium sized U.S. airports completely lost airline service, which crippled their local economies. Major U.S. carriers made double-digit system-wide capacity cuts in response, and top U.S. tourism destinations such as Las Vegas, Orlando and Honolulu saw airline seat capacity reductions approaching 25 percent. These developments, fueled largely by skyrocketing petroleum prices, were devastating to the travel and tourism industry in those places and beyond. Although some important steps have been taken since 2008—including the implementation of stronger fuel-efficiency standards for passenger vehicles as well as medium- and heavy-duty trucks—much more needs to be done from a policy perspective to reduce our continued vulnerability to oil-induced economic damage. Our nation's energy security is badly compromised, and it urgently needs to be repaired.

Within the travel and tourism industry, volatile fuel prices tend to hit airlines hardest. In large part, this is because fuel accounts for the largest portion of airline operating costs. According to the Air Transport Association (ATA), every one-dollar increase in the price of a gallon of jet fuel drives an additional \$17.5 billion in annual fuel costs for U.S. airlines. ATA also notes that the U.S. airline industry lost more than \$35 billion between 2002 and 2005 (the largest losses in the history of the industry), in significant part because of expensive jet fuel that the airlines had not been able to predict or plan for. The airline industry as a whole has taken steps to increase efficiency and reduce its exposure to fuel price volatility. Nonetheless, despite consumption of 3.1 billion fewer gallons of jet fuel in 2010 than in 2000, U.S. airlines spent \$22 billion more for fuel.

In 2011, with global benchmark oil prices averaging more than \$110 per barrel, fuel prices are again taking their toll on airlines. According to a June 2011 financial analysis from the International Air Transport Association (IATA), airlines' fuel bills globally are expected to be \$10 billion higher this year than previously forecast, totaling \$176 billion or 30 percent of operating costs. (Airline fuel costs totaled a record \$189 billion in 2008.) IATA has reduced forecast airline profits to \$4 billion for 2011—less than half the previous forecast. The group further notes: “The major risk to this outlook of sharply diminished but still positive profitability is if the economic expansion were slowed sharply, either by a further rise in oil prices or by too early a tightening of economic policy.”

Airline networks are an integral part of the transport grid that powers the U.S. economy, and without action to improve energy security, we face the economic equivalent of a national blackout. Unlike an energy blackout, however, the cabin lights may never come back on for

many U.S. airlines. What's more, the negative impact of volatile oil prices on airlines has a trickle-down effect throughout the travel and tourism industry. Hotels; convention centers; restaurants; cruise lines; rental cars companies; retail outlets; taxi and livery services; sporting events, concerts and theaters; national parks; political campaigns; and travel distribution services will all be left in the dark, as will the millions of Americans who are employed by them. High and volatile fuel prices force airlines to raise ticket prices and reduce capacity, which ultimately hurts travelers and the rest of the industry. Economy-class travel was off by three to four percent through the first five months of 2011, which IATA attributes to "the \$40 a barrel rise in fuel prices and the associated increase in travel costs."

Airlines are not alone in suffering the direct negative impacts of fuel-price volatility. Between 2007 and 2010, the vehicle rental industry experienced a sharp drop in activity, particularly in light vehicles like cars and sport utility vehicles. Rental vehicles in operation (VIO) dropped nearly 15 percent below typical levels in 2009. The cruise industry spends approximately nine percent of its revenue on fuel. For the hospitality industry, fluctuating oil prices have resulted in an overall increase in commodity prices, hence higher prices for goods, particularly food and beverage items. And the entire travel and tourism industry relies on customers, most of whom are also struggling with the high cost of gasoline, which currently averages more than \$3.60 per gallon in the United States and more than \$8.00 per gallon in many European countries.

The high and volatile fuel costs witnessed since 2003 have had a sharp and measurable impact on consumer budgets in the United States, particularly on discretionary spending. In fact, as gasoline prices soared from 2004 to 2008, the increase in household fuel spending eclipsed the benefit of tax cuts over the same period. In 2001, the average household spent \$1,517 on gasoline. By 2008, rising oil prices elevated average gasoline prices to \$3.25 per gallon, and household fuel spending averaged \$3,493—an increase of \$1,977 from 2001, notwithstanding the fact that the number of miles driven by the average household has remained relatively constant. The cumulative impact of changes to the tax code over the same period increased the average household's income by \$1,900. Thus, rising fuel prices acted essentially as a tax increase that fully offset the benefit of the tax cuts enacted by Congress over the same time period.

Price volatility is becoming increasingly endemic to the global oil market. Rising demand for transportation mobility in emerging market economies is driving sustained growth in fuel consumption. In 2009, China surpassed the United States to become the world's largest auto market and energy consumer. Chinese oil demand increased by 90 percent over the last decade, from 4.8 million barrels per day (mbd) in 2000 to 9.1 mbd in 2010, the equivalent of adding another Japan to global oil demand. Oil producers have struggled to keep pace with this kind of growth for a variety of geological and geopolitical reasons, leading to a steady erosion of spare production capacity and a tight market that lends itself to extreme oil price movements. These factors—rising demand and constrained supply growth—are highly unlikely to abate over the medium or long term.

As the world's largest oil consumer, the United States is highly vulnerable to oil price volatility. Nearly 40 percent of U.S. primary energy demand is met by oil. More than 70 percent of all oil consumption occurs in the transportation sector, which relies on oil for 94 percent of its fuel.

Today, America imports approximately half of all the liquid fuel it consumes and more than 60 percent of its crude oil needs. This reliance on imports has facilitated a massive transfer of wealth that topped a net \$380 billion as recently as 2008 and is on pace to surpass \$300 billion in 2011.

Oil imports are far from the only economic risk created by our nation's oil dependence. Research conducted by economists at Oak Ridge National Laboratories has found that the economy-wide economic damage attributed to U.S. oil dependence exceeds \$5 trillion real dollars since 1970. The damage was more than \$500 billion in 2008 alone, a sum comprised of wealth transfer (\$299 billion), forestalled investment by businesses due to price volatility (\$152 billion) and lost economic growth due to higher costs (\$55 billion).<sup>1</sup>

In short, our extreme reliance on a single, highly volatile fuel to power mobility has created an unpredictable investment environment in which the economy is struggling to grow. Providers of critical travel and transportation services that connect our country are scaling back their operations in ways that leave people and communities underserved. Business costs are rising, consumers are not spending, and job creation efforts are flailing as we export productive capital abroad to finance our oil consumption. In this environment of persistent economic instability and weak growth, the fiscal challenges confronting our nation will become ever more difficult to address. Our increasing expenditure on oil imports depresses the dollar, endangers our balance of payments, and puts our nation's well-being in the hands of unstable nations that are hostile to American interests.

While many observers may note that the free market should address these issues, it is important to recognize that there is no free market for oil. The global oil market is dominated by a supply cartel—OPEC—which exercises its oligopoly power to manipulate prices. Moreover, according to the International Energy Agency, more than 90 percent of conventional proved oil reserves were controlled by state-run national oil companies (NOCs) as of 2007. Many of these companies operate far-removed from the free market ideal, diverting revenues to the central government to finance social spending instead of consistently reinvesting revenue in new supplies. The failure by NOCs to invest in and adequately develop the world's lowest cost oil resources has been a key factor driving oil market tightness and high prices during the last decade.

It is clearly in the national interest for Congress and the Administration to move forward with a comprehensive strategy to increase American energy security. Developing such a national strategy will lead to a healthier economy and a robust travel and tourism industry—one that uses energy more efficiently to serve its customers while benefitting from a more predictable economic environment in which consumers have greater spending power.

For its part, the travel and tourism industry is taking important steps toward increasing energy security through, among other things, leading-edge investments in the commercialization of advanced biofuels and other forms of renewable energy, as well as the deployment of plug-in electric vehicles. For example, Delta Airlines is one of several airlines that have agreed to purchase up to 1.5 million gallons per year of renewable synthetic biodiesel for use in ground

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<sup>1</sup> David L. Greene, "Economic Costs of U.S. Oil Dependence," ORNL.

service equipment at Los Angeles International Airport beginning in late 2012 or 2013. Airlines have also formed a strategic partnership with the Defense Logistics Agency to support the development and deployment of commercially viable alternative jet fuels. Enterprise Holdings has added a number of electric vehicle and plug-in hybrid electric vehicle models to its offerings in select locations throughout the U.S., giving consumers the opportunity to experience these new technologies first-hand.

These actions alone, however, will not achieve comprehensive improvements in energy security. Major policy support from the federal government is a critical necessity. In the near term, public policy should emphasize maximum practical efficiency in the existing transportation system. At the same time, maximizing the safe and environmentally-responsible production of domestic oil resources can mitigate the exposure of the U.S. trade balance to rising oil prices. Over the long term, public policy should appropriately incentivize commercialization of alternative transportation technologies and minimize barriers to entry for alternative liquid fuels.

## Policy Recommendations

The United States requires a national strategy for energy security that encourages regulatory and policy changes designed to use oil more efficiently in order to reduce the oil dependence of the economy. Recent implementation of fuel-economy standards for light-, medium- and heavy-duty vehicles represent a critical first step for the transportation sector, but more should be done to improve system-wide efficiency, particularly in terms of infrastructure. At the same time, policymakers should promote responsible increases in domestic oil production as a bridge to alternative fuels and as a tactic to mitigate the deleterious impact of oil imports on the U.S. trade deficit.

However, in order to truly address our nation's dependence on oil and vulnerability to volatile oil prices, the United States must transform its transportation system and strategic energy focus by transitioning to technologies that fundamentally break away from oil over the long term. To accomplish this, the federal government should lead the way in supporting capital-intensive high-risk energy research and development on systems and technologies that require a longer commitment than the private sector has been historically willing to bear.

### **1. Increase Efficiency in the Transportation Sector (Policy: Near Term / Payoff: Medium Term)**

More than 70 percent of U.S. oil consumption occurs in the transportation sector. Despite decades of investment in alternative fuels, the sector as a whole still depends on oil for 94 percent of its delivered energy. Moreover, because of an aging and inadequate infrastructure, billions of gallons of fuel are wasted due to congestion and delays each year. Continuing to improve transportation efficiency as a strategy to reduce the role of oil in the economy is a critical near-term approach to improving U.S. energy security.

#### **A. Reform the federal transportation infrastructure funding process, using oil consumption metrics to prioritize projects.**

Transportation policy should advance energy security goals along with economic growth. Investment in infrastructure and policies to reduce congestion are clearly needed. A national oil savings performance metric would establish an important policy link between energy use

and the transportation system. Large projects, especially new capacity projects, should be required to assess oil consumption impacts. By including the costs of oil consumption—and by extension, oil dependence and its negative consequences—into cost-benefit analyses, evaluations of potential projects will more accurately embody the overall impact of oil use.

There is precedent for incorporating similar factors into project cost-benefit analyses. For example, under Executive Order 12866, federal agencies are required to analyze the costs and benefits of proposed regulations, and implement such regulations only upon determination that the benefits justify the costs. Under this Executive Order, one such cost factor is the “social cost of carbon” metric, which allows agencies to incorporate the benefit of reducing carbon dioxide emissions into cost-benefit analyses. The social cost of carbon is, “an estimate of the monetized damages associated with an incremental increase in carbon emissions in a given year.”

Current transportation infrastructure performance measures related to project funding, including total cost of construction, lifecycle cost and transit fare box recovery, look only at financial costs and do not factor in externalities such as oil use. Common approaches should be developed to address these costs at a programmatic level as well as at a project level. At a programmatic level, this analysis would assist policymakers in determining how transportation funds are allocated by program and by region. At the project level, they could assist planners in making better project selection decisions.

At the end of September 2011, the current extension of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) will expire. As policymakers consider the next steps for a new transportation funding bill or further extensions, it is critical to ensure that future federally-supported transportation infrastructure projects prioritize oil savings and energy security.

**B. Ensure that the Federal Aviation Administration is adequately staffed, funded and equipped to fully implement all Next Gen components.**

Recently, the Federal Aviation Administration (FAA) has begun transitioning to a next generation air transportation system (Next Gen) designed to increase the efficiency of routing and reduce delays by upgrading the air-traffic control system to a modern, satellite and digital-based infrastructure supported by key policy and process changes that together will increase capacity and reduce delays. The FAA’s most recent estimates indicate that by 2018, Next Gen will reduce total delays (in flight and on the ground) by about 35 percent compared with business as usual. Estimated delay reductions will provide \$23 billion in cumulative benefits to aircraft operators, the traveling public and the FAA by 2018. In the process, the industry will save about 1.4 billion gallons of aviation fuel, reducing carbon dioxide emissions by 14 million tons.

In its March 2011 Next Gen Implementation Plan, the FAA identifies a handful of key challenges to the system’s successful rollout. Key among these challenges are the investments that will need to be made by industry in order to fully utilize Next Gen features. In many cases, the industry has already begun to invest in Next Gen equipage, but current

processes and procedures have fallen behind the technology and must be accelerated. Access to sufficient labor and budgetary resources are also needed for implementation at FAA.

Consistent with concepts discussed in the Implementation Plan, FAA should carefully consider providing tax incentives to private industry in order to facilitate investment in the technology and equipment needed to fully utilize Next Gen. The system ultimately benefits consumers and the nation as a whole, and it is important that government capital not be stranded due to underinvestment by an airline industry that is dealing with high fuel prices and strained budgets.

## **2. Accelerate Commercialization of Alternatives (Policy: Near Term / Payoff: Long Term)**

Over the long-term, the United States must transition away from oil in the transportation sector. Alternative drive train technologies, such as plug-in electric vehicles and hydrogen fuel cells, offer a fundamental break from the volatility of oil that will be particularly effective for light-duty vehicles. Non-petroleum-based liquid fuels, such as advanced biofuels that do not compete with food supplies, will provide alternatives to oil with reduced emissions for aviation and trucking.

### **A. Implement a comprehensive program designed to rapidly commercialize vehicles that derive power from the electric grid.**

While improvements in the efficiency of internal combustion engine vehicles will be critical for reducing the petroleum intensity of the U.S. economy in the near term, the United States should transition to a system that breaks away from petroleum over the medium and long term. In particular, plug-in electric vehicles (PEVs) that derive motive power from grid-generated electricity have received considerable attention and policy support in recent years. In his 2011 State of the Union address, President Obama set a goal of getting 1 million plug-in vehicles on U.S. roads by 2015.

For a number of reasons, electrification of transportation represents a highly promising pathway for fundamentally ending U.S. oil dependence over the coming decades. Electricity is generated from a diverse portfolio of largely domestic fuels and, unlike petroleum prices, electricity prices are highly stable. Finally, much of the necessary infrastructure required to electrify transport is already in place, including ample power generation capacity.

In spite of these benefits, PEVs face significant barriers to widespread consumer adoption. The key challenges that must be overcome include the high cost of batteries; the absence of a network of chargers, both private (home) and public (shared); a lack of utility readiness in terms of both IT and physical infrastructure; and consumer psychology issues regarding a new technology.

To overcome these challenges, policymakers should initiate an ambitious competitive program managed by the Department of Energy to support mass deployment of PEVs in targeted communities. Communities should be selected based on an application process that emphasizes robust public-private partnerships and progressive regulatory approaches to dealing with PEVs. The goal of the deployment community approach should be to drive dense concentrations of PEVs into the communities best prepared to support them. This

approach will (1) demonstrate the proof of concept for consumers, (2) facilitate learning by doing, and (3) maximize investment payoff.

This approach recognizes that grid-enabled vehicles require a network built on public-private coordination in order to thrive. Such a network includes regulatory support, some amount of infrastructure, and progressive utilities. Moreover, while existing consumer tax credits for chargers and vehicles may provide some benefit to early adopters, the deployment community approach also recognizes that technology promotion requires more comprehensive policies to accelerate adoption throughout the nation.

A targeted regional deployment program featuring a competitive selection process will sharply increase the number of places where a supportive PEV network exists. Strong financial incentives for vehicles and infrastructure in these regions will drive high concentrations of cars onto the road in a short period of time and help achieve scale in battery manufacturing. The program will drive businesses and investment into deployment communities and help create jobs. The consequences of this approach will be to associate PEVs with renewed economic growth in deployment communities while setting the stage for a broader national rollout.

B. Facilitate the commercialization of the next generation of non-petroleum, biomass-derived liquid fuels that are environmentally beneficial and do not compete with food supplies.

Advanced biofuels could play a key role in offsetting oil consumption in the shipping and aviation industries in the future. Oil consumption by medium- and heavy-duty freight trucks and the aviation industry together account for one-fifth of U.S. oil demand—approximately 4 million barrels per day. In both cases, advanced biofuels could provide a readily available substitute for diesel fuel.

The aviation industry and would-be alternative jet-fuel suppliers are on the cusp of creating a viable alternative jet-fuel industry. The federal government, particularly the military, has played a helpful role in moving forward. In April 2011, for example, the Departments of Energy and Agriculture signed a \$500 million memorandum of understanding with the Navy to “support the construction or retrofit of multiple domestic commercial or pre-commercial scale drop-in biofuels plants and refineries.” Multiple U.S. airlines are also working with the Defense Logistics Agency on a similar effort, the Strategic Alliance for Alternative Aviation Fuels. In spite of important steps like these and others, there are clearly obstacles to widespread commercialization of these fuels. Government support is needed in the near term to provide financial bridging and other tools necessary to reach a tipping point. Specifically:

1. Commercial aviation should be identified as a top priority for alternative transportation fuels. While other sectors and modes of transportation have other options available, aviation will be dependent on liquid, high energy-density fuels for the foreseeable future.
2. Existing programs that have been effective in supporting development of alternative aviation fuels must be maintained and, if possible, expanded. Recognizing the role of government, Congress has enacted critical programs like the cellulosic biofuel production



tax credit, the Biorefinery Assistance Program, and the Biomass Crop Assistance Program. Meaningful progress will stop if these programs are not maintained.

3. Financial support should be provided for promising alternative jet fuel projects. Marshaling existing funding and other mechanisms across agencies to support one or more aviation alternative fuels projects will go a long way toward demonstrating commercial viability, particularly in today's environment of reluctant private capital.
4. Government policies should be technology and feedstock-neutral. Further, policy should encourage development of fuels that provide near-term emissions benefits, even if greenhouse gas (GHG) reductions are more modest than may be expected in the future development of the biofuels industry in the United States.
5. The agencies charged with leading on alternative aviation fuels must have the tools to do so. This includes further steps to encourage and empower interagency coordination. Specifically with respect to the U.S. military, the Department of Defense should be authorized to enter long-term (up to 20-year) contracts for alternative fuels and renewable energy.

**3. Improve and Expand Federal Energy R&D (Policy: Near Term / Payoff: Long Term)**

From a \$6.9 billion (real 2005 dollars) peak in 1978, Department of Energy spending on energy technology research, development, and deployment (RD&D) fell to \$2.7 billion in 2008. Meanwhile, investments in energy RD&D by U.S. companies fell by 50 percent between 1991 and 2003. Stimulus spending significantly increased 2009 spending levels, but the Administration's 2010 enacted and 2011 request levels were only \$3.3 and \$3.5 billion, respectively. Temporary, deployment-focused increases from the Recovery Act must be extended and accompanied by significant structural and programmatic reforms using a goal-oriented approach within relevant federal agencies, national laboratories, universities, and the private sector. Spending on RD&D today will provide critical support for commercializing alternatives to petroleum in the future.

**A. Reform the existing institutions and processes governing federal R&D spending.**

The current federal energy R&D process is inefficient and lacks a degree of central coordination. Greater accountability and a moratorium on Congressional earmarking of niche projects would go a long way toward improving overall outcomes.

Additional streamlining could be achieved in the executive branch by eliminating the overlap among the myriad of federal agencies that carry out energy-related R&D. Energy research programs at the Departments of Agriculture, Interior, Transportation, Health and Human Services and the EPA could be consolidated within the DOE. Alternatively, R&D budget development could be coordinated under the stewardship of a National Energy Council installed at the White House. Under this approach, individual agencies would continue to perform energy R&D, but categories and scopes would be coordinated to eliminate redundancy and achieve synergies.

B. Establish new institutions to provide funding for early-stage R&D and for later-stage deployment and commercialization.

Congress should establish an Energy Security Trust Fund to fund early-stage energy-related R&D at levels significantly higher than current levels of funding. Further, the trust fund should be funded directly by statute without requiring appropriated funds. Bypassing appropriations will not only help insulate the funds from the earmarking process, it will also ensure a reliable stream of funds that can be used to fulfill multi-year commitments to R&D programs. The trust fund should supplement, and not replace, those R&D funds that are currently distributed through the program offices in order to avoid a political dispute over the effectiveness of those departments.

The federal government should establish an Energy Technology Authority (ETA) of the United States as a market-driven source of private financing and public-private partnering for the most promising energy technology innovations. One successful model for such an institution would be a quasi-governmental investment organization similar to the Overseas Private Investment Corporation (OPIC) and U.S. Export-Import Bank (EXIM). The ETA would possess the full backing of the United States government, but would be managed and organized like a private corporation. After an initial capitalization, the corporation would be self-sustaining, generating revenue through projects, interest, and fees.

**4. Support Increased Domestic Production of Oil (Policy: Near Term / Payoff: Medium Term)**

Finally, an additional short-term tool available to the United States is increased domestic oil production. Despite promising increases in 2009 and 2010, U.S. oil production has generally declined for decades, resulting in significant consumption of imported oil. Today, oil typically accounts for more than half of our entire national trade deficit, weakening our economy and putting our nation's well-being in the hands of unstable nations that are hostile to American interests. The United States can and should produce more oil domestically.

In particular, sizeable recoverable resources are believed to exist in areas of the federal Outer Continental Shelf yet to be developed. The Department of Interior places undiscovered technically recoverable resources in these areas at more than 40 billion barrels. The amount that is economically recoverable varies based on oil prices, but today's prices would support development of a substantial portion of the resource. The experience of the global oil industry in recent years has yielded important knowledge about the recovery of complex offshore resources, and such projects are among the most promising sources of non-OPEC production growth in the world today.

The oil and gas industry, like nearly any other heavy industry, carries with it an environmental footprint. Exploration and production of oil can impact local ecologies and communities by bringing industrial activity into areas not accustomed to it. They can also impact the local physical environment in terms of both air and water quality. For these and other reasons, there will always be areas that federal, state, and local government—as well as private land owners—deem inappropriate for development. The travel and tourism industry has a vested interest in ensuring that America's natural resources and tourism destinations are thoughtfully used and properly protected.

Moving forward with development of domestic resources in promising but sensitive regions will require a partnership between the public and private sector as well as a thoughtful and more nuanced approach by regulator and industry alike. In those areas where development moves forward, production technology and processes should adhere to world-class safety and environmental standards. Maintaining a minimal footprint should be a priority for oil and gas producers in frontier areas, and regulations should require operators to leverage technology that improves environmental performance.

The first step toward increased offshore oil production and enhanced U.S. energy security must be reform of the U.S. regulatory approach for offshore energy production. Before new offshore areas can be opened, it will be critical that local populations—and equally importantly, national lawmakers— have increased confidence in industry safety. The current rules-based approach to regulating oil and gas production may no longer be suitable given the complex nature of the offshore industry. The current system encourages operators to comply with the letter of the law and no more, placing the onus on the regulator to dictate best available technology.

The Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) should take steps to move toward a performance-based regulatory system that includes the use of a comprehensive safety case for each project. Such a regulatory regime places the responsibility for technological innovation and environmental safety squarely with the operator, who must prove that it has considered the lifecycle environmental challenges and solutions for each individual project.

Dr. Blank, thank you again for the opportunity to present these recommendations. We hope that in your laudable efforts to help the travel and tourism industry thrive, you will encourage the Administration and Congress to focus serious attention on the comprehensive energy policy reform we outline in this letter. We must get this policy work done and not allow government interest in reform to wax and wane with the price of crude, as it has done too many times in the past. Our vital industry should no longer be held hostage to oil. With your leadership, we hope our industry and our nation can be put on track toward the energy security we deserve.

Respectfully submitted,

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