Testimony Submitted By
The American Petroleum Institute, Domestic Petroleum Council, Independent Petroleum Association of America, International Association of Drilling Contractors, National Ocean Industries Association, Petroleum Equipment Suppliers Association, and the United States Oil and Gas Association

to the
U.S. Commission on Ocean Policy
New Orleans, Louisiana

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INTRODUCTION

On behalf of the American Petroleum Institute, the Domestic Petroleum Council, the Independent Petroleum Association of America, the International Association of Drilling Contractors, the National Ocean Industries Association, the Petroleum Equipment Suppliers Association, and the United States Oil and Gas Association, we are pleased to submit comments to the Commission on Ocean Policy as it works toward recommendations for a coordinated and comprehensive national ocean policy. The following statement addresses OCS energy resources and economic contributions, access and policy constraints, governance issues, and the oil and natural gas industry's environmental and safety record.

The Oceans Act of 2000 called for the Commission to develop recommendations for a coordinated and comprehensive national ocean policy that will promote a number of goals, including strengthening our energy security, protecting our ocean and coastal resources, and enhancing maritime commerce. The Commission has a clear mandate to make recommendations for removing barriers to the effective development of our ocean resources, while protecting the marine environment. Our industry strongly supports this mandate.

SUMMARY OF KEY FINDINGS

OCS Energy Resources-A Vital Contribution

- U.S. offshore energy production is vital to the economic future and domestic security of our nation. The OCS produces about 25 percent of U.S. natural gas and oil.

- In 2000 alone, the OCS industry provided more than $5 billion in revenues to the Treasury, state governments and local communities. All Americans benefit.

- U.S. offshore operators are world-wide leaders in developing and using advanced exploration, production, safety and environmental protection technology.

- Despite this record and significant investment in the deepwater Gulf, production is expected to decline in the next 5-7 years. Currently, less than 20 percent of the Federal OCS is open to offshore oil and gas leasing or exploration through 2012.

- Industry urges the Commission to make recommendations that will promote rather than restrain the responsible development of America's offshore energy while protecting people and the marine environment.

The Gulf of Mexico-Industry's Commitment to Protecting People and the Environment

- U.S. offshore operators find and produce America's energy under very stringent requirements and voluntary standards for human safety and environmental protection.

- According to the U.S. Coast Guard, 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.

- Offshore operators maintain extensive and highly specialized oil spill response capability throughout the Gulf that go beyond the substantial steps required by law.

- Thirty percent of the 15 million fish caught by recreational fishermen annually off the coasts of Texas and Louisiana are caught near platforms.

- The injury and illness rate for offshore workers is about a third that of the rest of the U.S. private sector workforce; we strive for zero injuries.

- Industry's goal is continuous improvement in protection of our employees, our neighbors, and the marine environment.

Ocean Governance-Improving the Coastal Zone Management Act

- Industry urges the Commission to consider and support industry recommendations for a restoration of balance in federal and state/ local priorities, reform of the consistency review process, and assurance of a certain, streamlined permit process for offshore energy projects.

- Congress declared the OCS to be a "vital national resource reserve Ÿwhich should be made available for expeditious development". This is more true now than ever.

- The CZMA recognizes, as most Americans do, that future development of OCS energy is a national ocean resource priority.

- CZMA federal-state checks and balances have generally worked in the Central and Western Gulf of Mexico, in contrast to the costly delays, investment uncertainty, and problematic consistency process in the Atlantic, Pacific, and Eastern Gulf of Mexico OCS.

Ocean Governance-Achieving National Policy Goals

- The Commission should exercise caution in considering broad new ocean governance laws. Problems such as delays in the CZMA process are well documented. The existing

framework of federal law and agency responsibilities is generally adequate to protect the marine environment and balance the use of ocean and coastal resources.

- Governance recommendations should maintain and enhance key benefits of the current structure: agencies such as MMS know the businesses they regulate and the natural resources they protect

- The Central and Western Gulf of Mexico experience demonstrates that with clear ocean priorities and leadership, federal agencies have the legal and administrative tools to promote energy development and sustain living resources.

- The Central and Western Gulf of Mexico experience also shows that our nation has the tools to balance the ocean and coastal resource interests of all governments and communities.

- We urge the Commission to recommend extending this record of balanced application of federal law, coordination among federal agencies, cooperation among governments, and input from all resource users to other regions of the OCS.

- Industry is interested in exploring voluntary ocean observation system partnerships with federal agencies and academia; we support coastal and ocean education efforts. An educated public is the best steward of ocean resources.

- The Commission has a clear mandate to make recommendations enhancing resource use while protecting the marine environment; we are confident the Commission will help our nation meet this challenge.

OCS ENERGY, ECONOMICS, AND ACCESS

The Outer Continental Shelf (OCS) program plays a very important and growing role in meeting the nation's energy needs. The OCS has been contributing to the nation's supply of oil and natural gas since 1947. During the 1950's, the OCS constituted less than one percent of total U.S. oil and natural gas production. Since that time, OCS production has grown to more than 25 percent of domestic natural gas production and about 25 percent of oil production. Ninety percent of this production comes from the Central and Western Gulf of Mexico, making the Gulf of Mexico the largest single domestic source of oil for the U.S. market.

Not only has there been a shift in oil production from onshore areas to the Gulf of Mexico, but there has also been a shift in production from the shallow waters of the Gulf to the deepwater. Since 1990's, the deepwater of the Gulf of Mexico has emerged as a world-class oil and gas province. Between 1996 and 1999, technological advances coupled with economic incentives passed by Congress under the 1995 Deepwater Royalty Relief Act, encouraged energy companies to acquire more than 2,600 leases in waters 800 meters or greater pushing the total number of leases in the Gulf of Mexico to more than 7,000.

Activity on these leases has been intense. The number of deepwater exploratory wells drilled more than doubled from 1996 to 1998, despite the limited number of rigs that can work at such deep water depths and the decline in crude oil prices during this time period. Additionally, from

1999 to 2000, the number of development wells drilled (wells drilled after resources have been identified) jumped 30 percent. This level of activity resulted in a record number of wells (the sum of exploratory wells and development wells) being drilled in both 2000 and 2001.

Offshore oil and natural gas production is the result of years of substantial risk and investment, and cannot occur until infrastructure is in place. Particularly in the deepwater, the lack of pipelines to move production to shore is a significant factor in determining whether a hydrocarbon deposit is commercially viable and production is feasible. Industry has been very active in constructing pipelines to address this problem. From less than 50 miles of pipeline laid in 1996 to more than 300 miles of pipeline laid in 1999, there has been an exponential increase in the mileage of large deepwater oil and gas pipelines (greater than 12 inches in diameter) laid.

Not all leases contain commercial quantities of oil and gas. Historically, only 14 percent of the leases the Minerals Management Service (MMS) has issued have produced oil or gas. Today the rate is considerably higher. Of the approximately 7,000 leases outstanding, about 24 percent are producing. Still, MMS expects about 2,500 leases (about half of the current inventory of non-producing leases) to be returned to the government over the next five years as a result of unsuccessful drilling on a lease or on adjacent leases.

On deepwater leases that eventually produce, the delay between leasing and first exploratory drilling has averaged four years and the delay between discovery and first production has averaged six years. Some recent projects have experienced shorter lags between leasing and production. The development and application of deepwater technology will continue to shorten the time required between leasing and production, bringing domestically-produced oil and natural gas to the nation faster and more efficiently than ever before.

As exploratory drilling has progressed so has production. Deepwater oil and natural gas production rose 41 percent and 51 percent respectively from 1998 to 1999. In November 1999, the volume of oil produced from the deepwater surpassed production from the shallow water for the first time. From 1990 to 2000, total Gulf oil production rose 65%, as rapidly rising deepwater production offset a 9% decline in supply from the shallow waters of the Gulf. Largely because of this increase, the estimates of remaining recoverable resources from the Lower 48 OCS rose sharply during the 1990s, reaching more than 50 billion barrels in 2000, an increase of more than 135% over the estimate made five years earlier, and over five times larger than the 1990 estimate. Continuous advances in drilling and production technology also help industry maximize the conservation and efficient recovery of this vast resource.

As oil and natural gas have flowed from the OCS, revenues flowed into federal, state and local treasuries. The federal government receives bonus bids when a lease is issued, rental payments until the lease produces, and royalties once the lease produces. If a lease fails to produce within a specified timeframe, it must be returned to the government, which can then auction it again. In 2000 alone, the OCS leasing program provided the government with over $5 billion in revenues.

States and local communities receive substantial economic benefits from OCS energy production. States share in the revenues the federal government receives from near-shore leases. This revenue-sharing agreement has distributed more than $3 billion to coastal states since 1986, and $108 million in 2000 alone. States have used these funds for a variety of programs. Alabama

established the "Forever Wild Program" with offshore leasing and production money to acquire, maintain, and protect unique habitats. Mississippi has a similar "Gulf and Wildlife Protection Fund" and Louisiana uses its money for education.

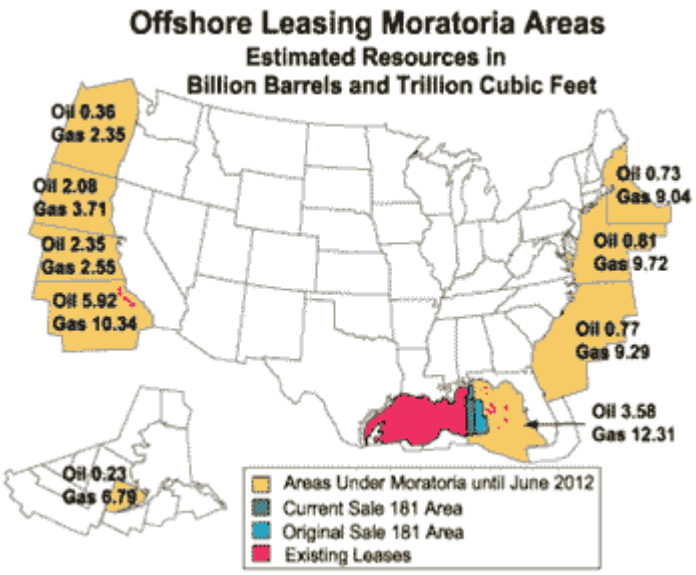
Another way that all states benefit is through the Land and Water Conservation Fund. The fund gives state and local governments, and federal agencies, money to acquire and develop lands for use as parks. Money for the fund comes almost exclusively from offshore leasing and development (royalties, rentals, bonus payments). Since 1982, $16 billion have gone from the MMS to the Land and Water Conservation Fund. Lastly, there is the National Historic Preservation Fund. Established by Congress to help states preserve their pasts, the fund has received more than $2.5 billon through the OCS program since 1982. Like the Land and Water Conservation Fund, money from the National Historic Preservation Fund is distributed to states whether or not they have any offshore leasing or production.

While state, federal and local entities all reap significant benefits from OCS exploration and production, industry believes that there should be a more equitable disbursement of OCS revenues to the local communities that support the offshore industry. The coastal communities that many of our offshore workers call home often receive significantly less than their fair share of OCS revenues - revenues that could be used to repair roadways, ports and other necessary infrastructure. We recommend that the Commission on Ocean Policy examine ways by which some of the revenues that currently flow into the federal treasury might be used to enhance the local counties, parishes and municipalities that support America's energy development.

Despite the essential role the deepwater has played in sustaining the Gulf's supply contribution to U.S. energy needs, future similar dynamic growth is not assured. The Department of Energy (DOE) forecasts that even with access to all lands currently leased or scheduled for lease, the rapid supply growth observed over the past decade in the deepwater Gulf will not continue for more than about five years. Particularly when new supplies are overlaid on a declining supply from the shallow waters, total OCS production is not expected to continue its recent growth. Rather, within the next five to seven years, DOE forecasts that total OCS oil production will peak and begin to decline.

One way of addressing this forecast decline is to open new prospective areas to exploration. Unfortunately, much of this area is under moratoria. Moratoria placed on offshore drilling and development on the U.S. Atlantic and Pacific Coasts, the Eastern Gulf of Mexico, and parts of Alaskan offshore waters constitute one of the most significant barriers to the "responsible use" of ocean energy resources. The consequence of these actions is to ban until 2012 any effort to inventory or explore for critical oil and natural gas resources estimated to lie beneath these areas.

As shown in the figure below, 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. Areas of the OCS currently off limits to leasing activity are estimated to contain about 16 billion barrels of oil and nearly 70 TCF of natural gas. This represents approximately one-third of the total oil resources estimated to remain to be discovered offshore of the Lower 48 states. As a point of reference, 70 TCF could fuel the current residential needs of the entire U.S. for 14 years; 16 billion barrels of oil would sustain domestic production equal to current imports from Saudi Arabia for 27 years.



These moratoria run counter to the principles established in the Oceans Act. Rather than promote resource use and facilitate the resolution of any issues that might occur, the moratoria preclude development, without regard to either the nation's energy needs or the available technologies to prevent or remedy any environmental impacts or conflicting uses that might arise.

When President George H. W. Bush implemented the leasing moratoria through his 1990 Executive Order, he stated his intent to "allow time for additional studies to determine the resource potential of the area and address the environmental and scientific concerns which have been raised." But experience shows that knowledge of the reserve potential and the environmental characteristics of an area expand more quickly when an area is under active consideration for leasing rather than under moratoria. While preleasing activities may demonstrate the impracticality of developing some areas, precluding these areas from preleasing activities inhibits rather than promotes the gathering of the very information needed to make informed decisions about whether or not an area can be safely opened to exploration and production of new energy resources.

It is ironic that 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 this emerging prospect of declining domestic supplies in the face of growing technological potential will motivate this Commission to identify and recommend policies to remove barriers to access and development of offshore energy supplies.

ENVIRONMENTAL STEWARDSHIP AND SAFETY PERFORMANCE

Protecting the environment is a national imperative and oil and gas operators have established an impressive record of environmental protection in the Gulf. Industry operations are closely scrutinized and tightly regulated by several federal agencies including the Minerals Management Service, the Coast Guard, and the Environmental Protection Agency. Further, as a 1999 US Department of Energy report states, "the U.S. oil and gas industry has integrated an environmental ethic into its business culture and operations." The report shows an industry

committed to protecting the environment because it is good for our business and good for our neighbors in the communities were we operate.

Before a single drop of oil is removed from beneath the seabed, an offshore platform will have met rigorous environmental standards. The top priority of the thousands of men and women who work in the nation's offshore industry is to ensure that America's energy is produced and transported in accordance with the highest standards of safety and environmental protection.

Cutting-edge technology allows platforms to extract more oil and natural gas in a safer manner. Platforms use sophisticated high-pressure valves that close automatically to prevent oil spills when sensors detect unusual conditions. Automatic fail-safe devices are installed in wells below sea level, protecting seabeds and marine life. Master control switches are located at various stations on the platform so they can be reached easily. The industry's exemplary safety record, even in the face of devastating hurricanes in the Gulf of Mexico, demonstrates the success of these efforts.

Recent technological innovations have transformed the face of the oil and natural gas industry. The oil and natural gas industry has successfully melded advances in computer-related technologies with innovations in materials, geophysics, engineering and navigation and satellite technology to achieve vastly improved safety and environmental performance while lowering the finding and producing costs of oil and natural gas.

Over the years, public attention has focused on industry's environmental performance. Yet many people are unaware that OCS operations are responsible for a very small portion of the oil in the Gulf of Mexico. OCS operations are the cause of less than 5 percent of the oil in the Gulf of Mexico. By contrast, natural seeps are responsible for 30 percent of oil in the Gulf of Mexico. Municipal wastewater discharges constitute an additional 27 percent. Industrial discharges, upriver runoff, urban runoff, and non-OCS-related spills are cumulatively responsible for an additional 38 percent. Industry's record is all the more impressive given how much oil is produced, processed, and transported to shore every day. According to the U.S. Coast Guard, 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.

The total volume of oil released from OCS operations is decreasing despite the fact that the total volume of oil being produced is increasing. And, OCS oil spills are very small. Spills of 1 barrel or less make up 94 percent of all OCS-related spills. Moreover, the vast majority of OCS spills volume is the result of other activities, e.g., the result of pipelines being struck by a ship's anchor or being damaged by a commercial fisherman's trawler drag.

Additionally, companies are required by law to have personnel and equipment in place in the unlikely event that a spill does occur. The industry and the Coast Guard have put in place a comprehensive system to quickly contain and capture most of any released oil. More than thirty years, ago a group of oil and gas companies voluntarily organized Clean Gulf Associates, a cooperative dedicated to response and remediation. Over the next three decades this co-op helped develop state-of-the-art spill response technology. Co-op members invented several skimming systems designed specifically for responding to releases resulting from oil and gas activities in

the Gulf. One such device, known as the High-Volume Open Sea Skimming System or HOSS barge, is a 200-foot barge specially built to skim large volumes of oil for days on end if need be.

Today, Clean Gulf Associates has equipment pre-positioned at nine locations around the oil-producing Central and Western Gulf. Among other items in its inventory are state of the art dedicated spill response vessels capable of quickly responding to spills from inland sites to sites twenty miles or more offshore. There are also skimming systems designed to be deployed aboard vessels-of-opportunity, more than 10,000 feet of containment booms, wildlife rescue and rehab trailers, stockpiles of dispersants, and both aerial and vessel-deployed application systems. Clean Gulf continues to advance technology through the voluntary efforts of its member companies. Although membership in this co-op is optional, it boasts more than 130 oil and gas companies, the great majority of operators in the Gulf.

More recently, the oil industry set up the Marine Preservation Association (MPA) and the Marine Spill Response Corporation (MSRC). MPA, which consists of companies engaged in the business of petroleum exploration and production, refining and marketing, transport and shipping, provides funding to MSRC and other independent response organizations.

MSRC alone has a fleet of Oil Spill Response Vessels that are built specifically to recover spilled oil. Each of these vessels has temporary storage for 4,000 barrels of recovered oil. They transfer their cargo of recovered oil to other vessels or barges. MSRC's other equipment includes oil-spill response barges with storage capacities between 32,000 and 68,000 barrels, a separate fleet of shallow water barges, 325,000 feet of oil spill containment boom, more than 110 skimmers, and seven mobile communications units to act as command centers. This equipment is maintained at the ready in 47 locations along the U.S. coasts. MMS regularly conducts surprise tests of offshore operators to ensure that their response plans work.

Environmental stewardship extends to other areas as well. As a result of advanced technology, improved operating practices, increased mitigation efforts, and effective cooperation with federal and state agencies, the oil and gas industry's impact on coastal wetlands has been reduced by 90 percent since 1982.

In other areas, the offshore industry has had a minimal impact on the environment. For example, oil and natural gas wells in the Gulf discharge small amounts of produced water - water that is found with the oil and natural gas in the ground - and also add trace amounts of nitrates to the Gulf. Although industry has more than 4,000 producing platforms throughout the Central and Western Gulf; the total platform contribution of nitrates to the marine environment is less than .5 percent of what the river system adds.

Also, declining fish catch in the Gulf is another concern. Scientists have determined that increased fishing pressure is the primary cause of declining fish catch in the Gulf. In contrast, offshore platforms act as natural reefs, attracting fish. Overall, 5 to 100 times more fish occupy the area around oil and natural gas platforms compared to surrounding soft mud and clay habitats.

Because of the concentration of fish around offshore platforms, offshore platforms are the destination of 70 percent of all fishing trips off the Louisiana coast. Thirty percent of the 15

million fish caught by recreational fishermen annually off the coasts of Texas and Louisiana are caught near platforms. The ecological benefits of offshore oil and natural gas platforms have led some states and the MMS to create active rigs-to-reefs programs. These states use decommissioned platforms to create reef-type habitats in the Gulf. The "Rigs to Reefs" program has been used or adopted by the five Gulf coast states and has been responsible for the conversion of some 150 Gulf platforms into permanent reefs.

In addition to being concerned for state of the environment, the offshore industry places a high priority on assuring the safety of its workers. According to 1999 Bureau of Labor Statistics (BLS) and Minerals Management Service (MMS) figures, the injury and illness rate was 6.3 percent for the entire U.S. private sector (6.3 injuries or illnesses per year per 100 full-time workers) while only 2.3 percent for the offshore industry. This means that the injury and illness rate for offshore workers was only about a third that of the rest of the U.S. private sector workforce. And this impressive record is steadily improving thanks to advanced drilling, completion and production technologies. In fact, since 1996, MMS records show that injuries related to the offshore industry have fallen by 37 percent.
(Source: OCS Events by Category: 1995-2001, as of 7/23/01.)

OCEAN GOVERNANCE-IMPROVING THE COASTAL ZONE MANAGEMENT ACT

The Commission, the American people, and ocean resource users share the usually compatible, but sometimes conflicting, goals of protecting marine resources, discovering energy supplies and other ocean resources, strengthening global security, and sustaining the economic benefits of ocean resources. The Coastal Zone Management Act (CZMA) and the Outer Continental Shelf Lands Act (OCSLA) are key governance elements in realizing these goals, and specifically in strengthening energy security and sustaining the economic benefits of America's oceans.

In the OCSLA, Congress declared that the OCS is a "vital national resource reserve Ÿwhich should be made available for expeditious development." This has rarely been more important than at present. A study conducted by the National Petroleum Council estimates that the nation's natural gas demand could increase by 32 percent by 2010 and by 41 percent by 2015. Our nation's reliance on crude oil imports also continues to grow.

The CZMA recognizes that the prompt and efficient development of OCS energy resources is a national priority by requiring that:

- each approved state CZM plan contain "adequate consideration of the national interest involved in planning for, and managing the coastal zoneŸ including the siting of [energy] facilities..."

- "coordination and simplification of procedures in order to ensure expedited governmental decision making for managing coastal resources" and,

- by allowing the President to "upon written request from the Secretary, exempt from compliance those elements of the Federal agency activity that are found by the Federal court to be inconsistent with an approved State program, if the President determines that the activity is in the paramount interest of the United States."

The CZMA was designed to enhance communication and resolve conflicts between federal agencies responsible for permitting activities on Federal lands and coastal states charged with managing competing uses of coastal resources. This goal was highlighted recently in the President's National Energy Plan and his Executive Order 13212 calling for streamlining energy project permitting. Under the OCSLA and the CZMA, no federal agency may issue a permit to conduct any proposed OCS activity unless an affected coastal state concurs with the lessee's consistency certification or unless the Secretary of Commerce overrides the state's objection.

The CZMA consistency process is also intended to promote federal and state coordination and is divided into two types of determinations: those made directly and conclusively by federal agencies when considering the effects of their own actions, and those made by a state when a federal license or permit application may have a significant effect on a state's coastal zone. The federal determination process impacts each OCS planning and leasing decision, and the state objection process impacts each expensive, high-risk exploration and development decision once a lease is acquired.

This process of federal-state checks and balances has generally worked well in the Central and Western Gulf of Mexico, where industry has compiled a strong record for good stewardship of public lands and for operating offshore in a safe and environmentally sensitive manner. This system of checks and balances stands in contrast to results in the Atlantic, Pacific, Alaskan and Eastern Gulf of Mexico OCS.

Unfortunately, some states use their consistency authority to stifle resource development rather than striking a balance that would benefit marine life while enhancing economic growth. This result is often contrary to law and to achieving national ocean resource goals. It is also adverse to the national energy security interests that require industry to make major long-term capital investments to develop domestic energy supplies.

State objections to offshore development have also been upheld by the Secretary of Commerce on questionable grounds. Even where the Secretary has overridden a state's objection, the appellate process has been hampered by delays. For example, during the 1990's, appeals involving OCS activities took from 16 months to 4 years from a state's initial objection to the final override decision. The fact that these delays result in cumulative adverse impacts on domestic energy supplies is undeniable.

CZMA implementation could become an increasing threat to our nation's ability to satisfy future economic growth and energy security needs. Energy producers operating in the Eastern Gulf of Mexico, the Atlantic, Pacific, and Alaska OCS have for years experienced costly permit delays and untenable investment uncertainty, even where the activities have not been demonstrated to adversely impact states' coastal zones. This "experience" also recently occurred in portions of the Central Gulf.

Industry urges the Commission to re-establish the goals of the CZMA as envisioned by the Stratton Commission, Congress, and the President, by recommending that state coastal plans give priority consideration to the siting of major energy facilities, as required by law, before they are certified by the Department of Commerce. In addition, we recommend that the following

specific revisions be made to both the CZM Act itself and to the consistency review and decision process:

- Limit a state's CZMA consistency review of private permits over activities outside of its own coastal zone. The CZMA was intended to grant a state the right to conduct a consistency review of federal licenses and permits within the territorial boundaries of that state and oil and gas activities occurring on the OCS that would have direct impacts in the coastal zone of that state. However, the statute has been implemented to allow states to review activities and block permits issued for activities taking place in other states sometimes more than 100 miles from the affected state's coast. Each affected state would still be allowed to conduct a consistency review for all licenses and permits within its boundaries, but unnecessary "extraterritorial" state and resource use or permit conflicts with other states would be prevented.

- Allow a single consistency certification for an Outer Continental Shelf (OCS) plan to cover all activities, including air and water permits. The energy industry has experienced inordinate delays due to the lack of coordination between federal agencies in processing permits for OCS, especially involving separate state consistency reviews for the permits. The efficiency of state consistency reviews for OCS exploration or development plans would be improved by or by using a single consistency certification for all related permitted activities, including air and water discharges.

- Grant the Secretary of the Interior the authority to determine information requirements for consistency certifications. Some states have used findings of a lack of information to delay decisions, deny consistency certifications and obstruct OCS activity. The Secretary of the Interior has adopted detailed information requirements for OCS exploration and development plans. The OCSLA specifies requirements for the Department of the Interior's consultation with state coastal zone authorities regarding areas of particular state concern. Therefore, the Secretary of Interior is in the best position to conduct an analysis of the information requirements.

- Provide the Secretary of the Interior with the authority to determine state appeals concerning OCS energy activities. Again, the Secretary of the Interior's expertise regarding OCS exploration and development plans and their environmental effects makes the Interior Secretary best suited to implement the law in this area.

- Ensure timely decisions on override appeals. CZMA appeals are drawn out by the Commerce Department's implementation requirement that the deadline for decision-making does not begin to run until the administrative record is closed. The law needs a definite decision deadline governed from the date when the appeal was filed. The need for predictability in these override decisions mandates a preordained time for review; otherwise, continuing abuse will be endemic to the decision making process.

OCEAN GOVERNANCE-ACHIEVING NATIONAL POLICY GOALS

Ocean governance issues will be discussed in the context of the five key areas identified by the Commission's Governance Working Group:

- Territorial Sea and EEZ governance regimes;
- Improved coordination among federal bodies with direct and indirect ocean responsibilities;
- Federalism: managing the intersection of Federal, State, and local governments;
- Place-based collaborative decision processes; and,
- International leadership by the US in marine affairs.

Territorial Sea and EEZ governance regimes

The existing framework of ocean governance under federal environmental and resource management laws is generally adequate to ensure protection of the marine environment and balanced use of ocean and coastal resources. We hope that the Commission will be cautious in considering the need for any additional, broad ocean "governance" law. Problems with implementation of existing statutes such the CZMA are well documented, but we do not believe that a general law asserting broad control by a single ocean resource management "super-agency" over the entire U.S. Exclusive Economic Zone (EEZ) is necessary or advisable. A broad ocean management agency has the potential to add another layer of interagency, intergovernmental, and stakeholder problems in ocean resource management, without resolving existing concerns. We recommend that the Commission focus on improvements in ocean resource "governance" by setting clear policy goals and priorities and by urging the establishment of sound implementing regulations and responsible administrative decisions.

Governance recommendations should maintain and enhance key benefits of the current structure:

- agencies know the businesses they regulate and the natural resources they protect;
- multiple agencies provide checks and balances that foster technical excellence and better management decisions, provided there are clear deadlines for such decision making; and,
- resource users know and understand the agencies that regulate them.

The management of ocean and coastal resources is difficult enough for properly specialized agencies, given the sheer breadth and diversity of ocean space and the vast array of resources, activities, and conflicts. Recommendations to improve agency coordination, streamline decision making, and establish a more clearly defined balance between local, state, and federal interests should not be confused with the need for "bigger government" or additional legislation. And, recommendations should generally avoid blanket resource use restrictions. Such restrictions must be supported by sound scientific study specific to the issue at hand and balanced by the considered needs of local, regional and national ocean resource users.

The Commission could explore the idea of a national ocean coordinating council, as proposed by others. But, the Commission should first identify any real problems with the existing structure and ensure that its recommendations will "do no harm," by adding an additional layer of bureaucracy, complicating or delaying permitting, or diluting ultimate federal responsibility and

accountability for OCS resource decisions, for example. A governance structure with properly focused agencies, working under effective national ocean policy leadership, will ensure that diverse resource users are involved in a streamlined decision-making process that balances competing interests.

Improved coordination among federal bodies with direct and indirect ocean responsibilities

Federal OCS resource management could be improved substantially by making certain changes in the administration of the Coastal Zone Management Act, and in the Department of the Interior/ Minerals Management Service (MMS) management role. Experience in the Central and Western Gulf of Mexico shows that with clear national policy goals and leadership, federal agencies have the legal and administrative tools to promote energy development and sustain living resources.

In order to improve our economic and environmental performance, we continually learn about the oceans in cooperation with the MMS, EPA, the National Oceans and Atmospheric Administration (NOAA), the Coast Guard and other agencies. Thus, industry is interested in learning more about the proposed ocean observation system, including exploring voluntary partnership opportunities in this area.

Potential areas of collaboration include information and technology sharing, use of platforms for non-invasive monitoring activities, sharing of historical and current raw non-proprietary company data (e.g., ocean temperature, waves, currents, etc.), remote operating vehicle (ROV) tapes and technology, autonomous underwater vehicle (AUV) technology, transmission/communication networks, software, and possibly mariculture. To encourage companies to volunteer the use of offshore platforms for use in an ocean observation system, activities must be non-intrusive and not disrupt or slow down oil and gas operations. Factors that would be considered in a company's decision to participate include safety impacts; space, labor, transportation, power, and communication requirements; weight of equipment and personnel (for floating facilities); and potential electronics/transmission interference.

Broader understanding of industry's past contributions in areas outside energy production by the government and scientific and environmental communities could help foster collaborative and cooperative attitudes. Finding and producing energy to heat homes, fuel cars, run computers, and drive the nation's economy has fostered inventions and technology that have uses in many other areas of the economy. The energy industry serves as an incubator for innovation and a catalyst for progress, and pioneers leading edge technologies that have numerous benefits for a wide range of industries. Those innovations are being used in many fields including defense, medicine, navigation, marine biology, geology and environmental sciences. Industry is interested in technological collaboration, but the advancement of ocean science and knowledge must be the goal and focus rather than industry operations per se which are already heavily scrutinized. Assurances that this is not the intent of the program would be helpful.

Federalism: Managing the intersection of Federal, State, and local governments

The productive use of oceans resources flourishes in the Central and Western Gulf of Mexico. Pristine ocean areas such as the Flower Garden Banks National Marine Sanctuary co-exist with

offshore energy development that accounts for some 25 percent of our domestically produced oil and natural gas. This kind of success results when there is balanced application of the CZM Act (by at least some states), the OCLSA, and major environmental statutes; long-standing coordination among federal agencies; cooperation among federal, state, and local governments; and all resource users provide input.

The Central and Western Gulf of Mexico can generally serve as a model under the current system of ocean governance and demonstrate that government at all levels, industry and the public already have the tools to provide substantial economic benefits to the nation and responsible stewardship of the marine environment. This model usually provides the checks and balances necessary for successful, strategic and balanced ocean policy while allowing mixed and balanced use of ocean resources.

However, the energy resource experience in the Eastern Gulf of Mexico, Pacific and Atlantic OCS areas shows that existing tools are not always enough. There is a clear need for improved federal-state balance, policy leadership, agency decision making, and conflict resolution based on national priorities such as energy production, fisheries management, and environmental stewardship. These issues are complex, and finding sound policy solutions will be a challenge. The answers to these problems are not in more centralized federal authority but in different policy choices, improved coordination and decision making guided by clear ocean priorities, use of better science, enhanced public-government dialogue, and clear articulation of local, state, regional and federal roles.

Place-based collaborative decision-making processes

Clear national ocean policy priorities should guide Commission recommendations to improve federal OCS resource decision processes involving regional and local interests.

The successful stewardship and use of ocean resources in the Central and Western Gulf of Mexico shows that government, the public, and industry are already using effective tools for "place-based collaborative decision-making," and provides both substantial economic benefits to the nation and responsible stewardship of the marine environment.

The CZMA and other federal resource decision making processes should ensure that planning and use decisions are made with fair and reasonable input from regional governments, businesses and citizens, but with clear deadlines for government decisions. Also, industry supports several coastal and ocean education outreach efforts by MMS, the EPA Gulf of Mexico Program, several National Estuary Programs, state Coastal Zone Management councils, and responsible industry and environmental groups. An educated public is the best steward of the nation's precious ocean resources.

International Leadership by the US in marine affairs, including ratification of the Law of the Sea Treaty

Industry appreciates the Commission's support for ratification of the Law of the Sea Treaty. In time it will become a valuable tool for managing the substantial resource potential of the U.S. exclusive economic zone.

CONCLUSION-TOWARD A BALANCED NATIONAL OCEAN POLICY

Today, our nation faces enormous challenges in meeting its future energy needs. While conservation and renewables can play a significant role in meeting this challenge, it is also clear that we need to expand domestic production and that the oceans will play an important role in developing the domestic energy supplies that will be needed. The OCS has been a major source of U.S. oil and natural gas supplies for decades. Further development of supplies from the OCS simply represents a natural extension and continuation of an already proven supply process. Significant advances in ocean technology afford us tremendous opportunities to meet the challenge of finding and producing America's ocean energy resources, while protecting the marine environment and respecting other ocean uses. The nation's energy industry has a sound track record in demonstrating that these resources can be developed in an environmentally protective manner. However, we cannot meet that challenge without access to areas with energy potential and without an efficient decision making process to ensure necessary government review without undue delay.

The President and the Congress asked the Commission to develop recommendations for a coordinated and comprehensive national ocean policy that will promote a number of goals, including strengthening our energy security, protecting our ocean and coastal resources, and enhancing maritime commerce. The Commission has a clear mandate to make recommendations for removing barriers to the effective development of our ocean resources, while protecting the marine environment. The energy industry continues to support the Commission's efforts to help the nation meet this challenge.

Industry remains committed to working to support the Coastal Zone Management Act's stated purpose of balancing the competing demands of coastal resource use, economic development, and conservation through cooperative partnerships among federal, state and local governments. Our goal is to ensure that industry can develop reliable domestic energy supplies while adhering to high environmental standards. We believe that industry meets that challenge, and we are eager join all ocean stakeholders in productive policy discussions regarding how industry can continue to meet the nation's growing energy needs in a safe, reliable, economic, and environmentally sound manner.