

## Transboundary Hydrocarbon Agreement

### **Witnesses:**

#### **Witness Panel 1**

The Honorable Carlos Pascual

Special Envoy and Coordinator, U.S. Department of State International Energy Affairs

Mr. Tommy P. Beaudreau

Acting Assistant Secretary, U.S. Department of Interior Land and Minerals Management

#### **Witness Panel 2**

Ms. Jacqueline Savitz

Vice President, Oceana

Mr. Erik Milito

Director, American Petroleum Institute Upstream and Industry Operations

### **Committee Members Present:**

Ron Wyden (D-OR) Committee Chairman

Lisa Murkowski (R-AK) Ranking Member

Mary Landrieu (D-LA)

Joe Manchin (D-WV)

On Tuesday, October 1 the Senate Committee on Energy and Natural Resources held a hearing to discuss proposed energy legislation. The legislation in question would approve an agreement between the U.S. and Mexico to develop oil and gas reserves that cross the maritime boundary in the Gulf of Mexico.

So far, two bills have been proposed:

In June, the House passed H.R. 1613, a bill to amend the Outer Continental Shelf Lands Act to provide for the proper management and oversight of transboundary hydrocarbon reservoirs. Critics of the legislation refer to H.R. 1613 as the “poison bill” because it exempts extraction companies from the Securities and Exchange Commission (SEC) natural resources extraction disclosure rule of the Dodd-Frank Wall Street Reform Law and Consumer Protection Act, which increases accountability and transparency between governments.

The Senate introduced their own version of the bill in April, S. 812, which excludes the SEC provision. Proposed by Committee Chairman Ron Wyden (D-OR) and Ranking Member Lisa Murkowski (R-AK), S. 812 authorizes the Secretary of the Interior to take actions to implement the transboundary hydrocarbon reservoir agreement between the United States of America and Mexico in the Gulf of Mexico.

Commenting on the Senate legislation, Administration witnesses focused on the economic benefits of the proposed legislation. Tommy Beaudreu, acting Assistant Secretary of U.S. Department of the Interior Land and Minerals Management, said that legal uncertainties regarding oil development in the border region have kept development companies at bay. He then pointed out that only 14 of 379 available blocks on the U.S. side of the boundary have been leased. Carlos Pascual, Special Envoy and Coordinator at the U.S. Department of State International Energy Affairs Program emphasized that this bill would increase North American energy independence and create jobs. Pascual also stated that both the U.S. and Mexico would benefit, and that “the agreement would allow U.S. inspectors to join Mexican inspectors on their rigs and vice versa,” creating uniform safety standards. Many concerns were raised about the proposed legislation. Jacqueline Savitz, Vice President of Oceana, testified that it is unclear whether Mexico would be held to the same safety standards as the United States, and that the current penalties and safety standards in place are too low. Senator Mary Landrieu (D-LA), however, stated that her support for the agreement depended instead on the regulations surrounding revenue sharing. Sen. Landrieu's Gulf of Mexico Energy Security Act (GOMESA) in 2006 established that oil and gas royalties paid to the federal government for development would be shared with Gulf Coast states. Senators Wyden and Murkowski stressed the urgency of the bill. Wyden noted that the moratorium on drilling and exploitation in the boundary waters between Mexico and the U.S. known as the Western Gap was originally set to expire in January 2011 as part of the Western Gap Treaty; however, that deadline was extended until January 2014. After January, Mexico's state owned petroleum company, Pemex, can begin developing oil and gas reservoirs along the border without the regulations set by the U.S.-Mexico hydrocarbon agreement. Officials from both the U.S. and Mexico signed off on the agreement, but it awaits Senate approval. Senator Murkowski also emphasized that U.S. and Mexico relations could be hurt if Congress does not move forward with this bill.

Opening statements, witness testimonies and an archived webcast of the hearing can be found on the Committee web site.

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